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FINDINGS  
OF THE  
GOOSE CREEK  
CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
BOARD OF TRUSTEES

UNDER THE  
TEXAS ECONOMIC DEVELOPMENT ACT  
ON THE APPLICATION SUBMITTED BY

JSW STEEL (USA) INC.  
TEXAS TAXPAYER ID #32033679039  
APPLICATION #1208

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March 22, 2018



Board Findings of the Goose Creek Consolidated Independent School District

The Board of Trustees has confirmed that the taxable value of property in the Goose Creek Consolidated Independent School District for the preceding tax year, as determined under Subchapter M, Chapter 403, Government Code, is as stated in the 2017 ISD Summary Worksheet posted on the Texas Comptroller's website.

After receipt of the Application, the District submitted a proposed form of Agreement for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code, in the form required by the Comptroller of Public Accounts. The proposed Agreement and letter approving same are attached to these findings as **Exhibit C**.

The Texas Commissioner of Education has determined that the project will not impact school enrollment.

After review of the Comptroller's recommendation, and in consideration of its own economic impact study the Board finds:

**Board Finding Number 1.**

**The Applicant qualifies for a limitation on appraised value of Qualified Property under Texas Tax Code § 313.024 in the eligibility category of Manufacturing.**

**Board Finding Number 2.**

**The Applicant's entire proposed investment in the Goose Creek Consolidated Independent School District is \$250,000,000—all of which is proposed to be Qualified Investment under Texas Tax Code § 313.021.**

**Board Finding Number 3.**

**The average salary level of qualifying jobs is expected to be at least \$65,000 per year. The review of the Application by the State Comptroller's Office indicates that this amount—based on Texas Workforce Commission data—complies with the requirement that qualifying jobs pay more than the minimum weekly wage required for Qualified Jobs under Texas Tax Code § 313.021.**

**Board Finding Number 4.**

**The level of the Applicant's average investment per qualifying job over the term of the Agreement is estimated to be approximately \$500,000 on the basis of the 500 new qualifying positions committed to by the Applicant for this project. The project's total investment is \$250,000,000, resulting in a relative level of investment per qualifying job of \$500,000.**

**Board Finding Number 5.**

The Applicant has not requested a waiver of the job creation requirement under Texas Tax Code § 313.25(f-1), and the Board finds that the project meets state job creating requirements.

**Board Finding Number 6.**

Subsequent economic effects on the local and regional tax bases will be significant. In addition, the impact of the added infrastructure will be significant to the region. In support of Finding 6, the economic impact evaluation states:

Table 2 depicts this project’s estimated economic impact to Texas. It depicts the direct, indirect and induced effects to employment and personal income within the state. The Comptroller’s office calculated the economic impact based on 15 years of annual investment and employment levels.

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2018	0	0	0	\$ 0	\$ 0	\$ 0
2019	122	377	499	\$ 7,930,000	\$ 32,070,000	\$ 40,000,000
2020	863	3,057	3,920	\$ 52,465,000	\$ 265,535,000	\$ 318,000,000
2021	864	3,452	4,316	\$ 52,520,000	\$ 320,480,000	\$ 373,000,000
2022	500	2,126	2,626	\$ 32,500,000	\$ 225,500,000	\$ 258,000,000
2023	500	1,876	2,376	\$ 32,500,000	\$ 218,500,000	\$ 251,000,000
2024	500	1,656	2,156	\$ 32,500,000	\$ 210,500,000	\$ 243,000,000
2025	500	1,488	1,988	\$ 32,500,000	\$ 205,500,000	\$ 238,000,000
2026	500	1,371	1,871	\$ 32,500,000	\$ 201,500,000	\$ 234,000,000
2027	500	1,295	1,795	\$ 32,500,000	\$ 201,500,000	\$ 234,000,000
2028	500	1,251	1,751	\$ 32,500,000	\$ 203,500,000	\$ 236,000,000
2029	500	1,231	1,731	\$ 32,500,000	\$ 207,500,000	\$ 240,000,000
2030	500	1,228	1,728	\$ 32,500,000	\$ 214,500,000	\$ 247,000,000
2031	500	1,231	1,731	\$ 32,500,000	\$ 222,500,000	\$ 255,000,000
2032	500	1,240	1,740	\$ 32,500,000	\$ 232,500,000	\$ 265,000,000

Table 4 examines the estimated direct impact on ad valorem taxes to the school district and Chambers County, with all property tax incentives sought being granted using estimated market value from the application. The project has applied for a value limitation under Chapter 313, Tax Code and tax abatement with the county. The difference noted in the last line is the difference between Table 3 and Table 4:

Board Findings of the Goose Creek Consolidated Independent School District

**Table 4—Estimated Direct Ad Valorem Taxes with All Property Tax Incentives Sought**

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	GCISD I&S Tax Levy	GCISD M&O Tax Levy	GCISD M&O and I&S Tax Levies	Chambers County Tax Levy	Navigation District Tax Levy	County Imp District Tax Levy	Lee College Tax Levy	Estimated Total Property Taxes
			Tax Rate <sup>1</sup>	0.2619	1.1700	0.5530	0.0916	0.0673	0.2453	
2018	\$ 1,998,000	\$ 1,998,000	\$ 5,233	\$ 23,377	\$ 28,609	\$ 11,049	\$ 1,831	\$ 1,344	\$ 4,901	\$ 41,489
2019	\$ 1,998,000	\$ 1,998,000	\$ 5,233	\$ 23,377	\$ 28,609	\$ 11,049	\$ 1,831	\$ 1,344	\$ 4,901	\$ 41,489
2020	\$ 1,998,000	\$ 1,998,000	\$ 5,233	\$ 23,377	\$ 28,609	\$ 11,049	\$ 1,831	\$ 1,344	\$ 4,901	\$ 41,489
2021	\$ 208,098,000	\$ 100,000,000	\$ 544,988	\$ 1,170,000	\$ 1,714,988	\$ 1,150,782	\$ 190,701	\$ 140,004	\$ 510,464	\$ 3,056,471
2022	\$ 204,048,000	\$ 100,000,000	\$ 534,381	\$ 1,170,000	\$ 1,704,381	\$ 1,128,385	\$ 186,990	\$ 137,279	\$ 500,530	\$ 3,019,756
2023	\$ 196,498,000	\$ 100,000,000	\$ 514,609	\$ 1,170,000	\$ 1,684,609	\$ 1,086,634	\$ 180,071	\$ 132,200	\$ 482,010	\$ 2,951,313
2024	\$ 190,298,000	\$ 100,000,000	\$ 498,371	\$ 1,170,000	\$ 1,668,371	\$ 1,052,348	\$ 174,389	\$ 128,029	\$ 466,801	\$ 2,895,108
2025	\$ 182,748,000	\$ 100,000,000	\$ 478,599	\$ 1,170,000	\$ 1,648,599	\$ 1,010,596	\$ 167,470	\$ 122,949	\$ 448,281	\$ 2,826,665
2026	\$ 177,348,000	\$ 100,000,000	\$ 464,457	\$ 1,170,000	\$ 1,634,457	\$ 980,734	\$ 162,522	\$ 119,316	\$ 435,035	\$ 2,777,713
2027	\$ 172,498,000	\$ 100,000,000	\$ 451,755	\$ 1,170,000	\$ 1,621,755	\$ 953,914	\$ 158,077	\$ 116,053	\$ 423,138	\$ 2,733,746
2028	\$ 164,948,000	\$ 100,000,000	\$ 431,982	\$ 1,170,000	\$ 1,601,982	\$ 912,162	\$ 151,158	\$ 110,974	\$ 404,617	\$ 2,665,303
2029	\$ 157,398,000	\$ 100,000,000	\$ 412,210	\$ 1,170,000	\$ 1,582,210	\$ 870,411	\$ 144,240	\$ 105,894	\$ 386,097	\$ 2,596,860
2030	\$ 149,848,000	\$ 100,000,000	\$ 392,437	\$ 1,170,000	\$ 1,562,437	\$ 828,659	\$ 137,321	\$ 100,815	\$ 367,577	\$ 2,528,417
2031	\$ 142,298,000	\$ 142,298,000	\$ 372,664	\$ 1,664,887	\$ 2,037,551	\$ 786,908	\$ 130,402	\$ 95,735	\$ 349,057	\$ 2,954,861
2032	\$ 134,748,000	\$ 134,748,000	\$ 352,892	\$ 1,576,552	\$ 1,929,443	\$ 745,156	\$ 123,483	\$ 90,656	\$ 330,537	\$ 2,798,083
2033	\$ 126,398,000	\$ 126,398,000	\$ 331,024	\$ 1,478,857	\$ 1,809,880	\$ 698,981	\$ 115,831	\$ 85,038	\$ 310,054	\$ 2,624,692
2034	\$ 118,848,000	\$ 118,848,000	\$ 311,251	\$ 1,390,522	\$ 1,701,773	\$ 657,229	\$ 108,912	\$ 79,959	\$ 291,534	\$ 2,467,914
2035	\$ 111,298,000	\$ 111,298,000	\$ 291,478	\$ 1,302,187	\$ 1,593,665	\$ 615,478	\$ 101,993	\$ 74,879	\$ 273,014	\$ 2,311,136
<b>Total</b>			\$ 6,398,795	\$ 19,183,133	\$ 25,581,928	\$ 13,511,526	\$ 2,239,053	\$ 1,643,813	\$ 5,993,449	\$ 41,332,507
<b>Diff</b>			\$ 0	\$ 9,403,641	\$ 9,403,641	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,040,903

<sup>1</sup>Tax Rate per \$100 Valuation

Table 3 illustrates the estimated tax impact of the Applicant’s project on the region if all taxes are assessed.

**Table 3—Estimated Direct Ad Valorem Taxes without Property Tax Incentives**

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	GCISD I&S Tax Levy	GCISD M&O Tax Levy	GCISD M&O and I&S Tax Levies	Chambers County Tax Levy	Navigation District Tax Levy	County Imp District Tax Levy	Lee College Tax Levy	Estimated Total Property Taxes
			Tax Rate <sup>1</sup>	0.2619	1.1700	0.5530	0.0916	0.0673	0.2453	
2018	\$ 1,998,000	\$ 1,998,000	\$ 5,233	\$ 23,377	\$ 28,609	\$ 11,049	\$ 1,831	\$ 1,344	\$ 4,901	\$ 41,489
2019	\$ 1,998,000	\$ 1,998,000	\$ 5,233	\$ 23,377	\$ 28,609	\$ 11,049	\$ 1,831	\$ 1,344	\$ 4,901	\$ 47,734
2020	\$ 1,998,000	\$ 1,998,000	\$ 5,233	\$ 23,377	\$ 28,609	\$ 11,049	\$ 1,831	\$ 1,344	\$ 4,901	\$ 47,734
2021	\$ 208,098,000	\$ 100,000,000	\$ 544,988	\$ 2,434,747	\$ 2,979,734	\$ 1,150,782	\$ 190,701	\$ 140,004	\$ 510,464	\$ 4,971,686
2022	\$ 204,048,000	\$ 100,000,000	\$ 534,381	\$ 2,387,362	\$ 2,921,743	\$ 1,128,385	\$ 186,990	\$ 137,279	\$ 500,530	\$ 4,874,927
2023	\$ 196,498,000	\$ 100,000,000	\$ 514,609	\$ 2,299,027	\$ 2,813,635	\$ 1,086,634	\$ 180,071	\$ 132,200	\$ 482,010	\$ 4,694,549
2024	\$ 190,298,000	\$ 100,000,000	\$ 498,371	\$ 2,226,487	\$ 2,724,858	\$ 1,052,348	\$ 174,389	\$ 128,029	\$ 466,801	\$ 4,546,425
2025	\$ 182,748,000	\$ 100,000,000	\$ 478,599	\$ 2,138,152	\$ 2,616,750	\$ 1,010,596	\$ 167,470	\$ 122,949	\$ 448,281	\$ 4,366,047
2026	\$ 177,348,000	\$ 100,000,000	\$ 464,457	\$ 2,074,972	\$ 2,539,428	\$ 980,734	\$ 162,522	\$ 119,316	\$ 435,035	\$ 4,237,035
2027	\$ 172,498,000	\$ 100,000,000	\$ 451,755	\$ 2,018,227	\$ 2,469,982	\$ 953,914	\$ 158,077	\$ 116,053	\$ 423,138	\$ 4,121,164
2028	\$ 164,948,000	\$ 100,000,000	\$ 431,982	\$ 1,929,892	\$ 2,361,874	\$ 912,162	\$ 151,158	\$ 110,974	\$ 404,617	\$ 3,940,786
2029	\$ 157,398,000	\$ 100,000,000	\$ 412,210	\$ 1,841,557	\$ 2,253,766	\$ 870,411	\$ 144,240	\$ 105,894	\$ 386,097	\$ 3,760,408
2030	\$ 149,848,000	\$ 100,000,000	\$ 392,437	\$ 1,753,222	\$ 2,145,659	\$ 828,659	\$ 137,321	\$ 100,815	\$ 367,577	\$ 3,580,031
2031	\$ 142,298,000	\$ 142,298,000	\$ 372,664	\$ 1,664,887	\$ 2,037,551	\$ 786,908	\$ 130,402	\$ 95,735	\$ 349,057	\$ 3,399,653
2032	\$ 134,748,000	\$ 134,748,000	\$ 352,892	\$ 1,576,552	\$ 1,929,443	\$ 745,156	\$ 123,483	\$ 90,656	\$ 330,537	\$ 3,219,275
2033	\$ 126,398,000	\$ 126,398,000	\$ 331,024	\$ 1,478,857	\$ 1,809,880	\$ 698,981	\$ 115,831	\$ 85,038	\$ 310,054	\$ 3,019,785
2034	\$ 118,848,000	\$ 118,848,000	\$ 311,251	\$ 1,390,522	\$ 1,701,773	\$ 657,229	\$ 108,912	\$ 79,959	\$ 291,534	\$ 2,839,407
2035	\$ 111,298,000	\$ 111,298,000	\$ 291,478	\$ 1,302,187	\$ 1,593,665	\$ 615,478	\$ 101,993	\$ 74,879	\$ 273,014	\$ 2,659,029
<b>Total</b>			\$ 6,398,795	\$ 28,586,774	\$ 34,985,569	\$ 13,511,526	\$ 2,239,053	\$ 1,643,813	\$ 5,993,449	\$ 58,373,410

<sup>1</sup>Tax Rate per \$100 Valuation

**Board Finding Number 7.**

The revenue gains that will be realized by the school district if the Application is approved will be significant in the long-term, with special reference to revenues used for supporting school district debt.

**Board Finding Number 8.**

The effect of the Applicant’s proposal, if approved, on the number or size of needed school district instructional facilities is not expected to increase the District’s facility needs, with current trends suggesting little underlying enrollment growth based on the impact of the project.

**Board Finding Number 9.**

The Applicant’s project is reasonably likely to generate, before the 25<sup>th</sup> anniversary of the beginning of the limitation period, tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the Agreement. This evaluation is based on an analysis of the estimated M&O portion of the school district property tax levy directly related to this project, using estimated taxable values provided in the Application. Attachment B of the economic impact study contains a year-by-year analysis as depicted in the following table:

	Tax Year	Estimated ISD M&O Tax Levy Generated (Annual)	Estimated ISD M&O Tax Levy Generated (Cumulative)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative)
Limitation Pre-Years	2018	\$ 23,377	\$ 23,377	\$ 0	\$ 0
	2019	\$ 23,377	\$ 46,753	\$ 0	\$ 0
	2020	\$ 23,377	\$ 70,130	\$ 0	\$ 0
Limitation Period (10 Years)	2021	\$ 1,170,000	\$ 1,240,130	\$ 1,264,747	\$ 1,264,747
	2022	\$ 1,170,000	\$ 2,410,130	\$ 1,217,362	\$ 2,482,108
	2023	\$ 1,170,000	\$ 3,580,130	\$ 1,129,027	\$ 3,611,135
	2024	\$ 1,170,000	\$ 4,750,130	\$ 1,056,487	\$ 4,667,621
	2025	\$ 1,170,000	\$ 5,920,130	\$ 968,152	\$ 5,635,773
	2026	\$ 1,170,000	\$ 7,090,130	\$ 904,972	\$ 6,540,745
	2027	\$ 1,170,000	\$ 8,260,130	\$ 848,227	\$ 7,388,971
	2028	\$ 1,170,000	\$ 9,430,130	\$ 759,892	\$ 8,148,863
	2029	\$ 1,170,000	\$ 10,600,130	\$ 671,557	\$ 8,820,419
	2030	\$ 1,170,000	\$ 11,770,130	\$ 583,222	\$ 9,403,641
Maintain Viable Presence (5 Years)	2031	\$ 1,664,887	\$ 13,435,016	\$ 0	\$ 9,403,641
	2032	\$ 1,576,552	\$ 15,011,568	\$ 0	\$ 9,403,641
	2033	\$ 1,478,857	\$ 16,490,425	\$ 0	\$ 9,403,641
	2034	\$ 1,390,522	\$ 17,880,946	\$ 0	\$ 9,403,641
	2035	\$ 1,302,187	\$ 19,183,133	\$ 0	\$ 9,403,641
Additional Years as Required by § 313.026(c)(1) (10 Years)	2036	\$ 1,283,467	\$ 20,466,599	\$ 0	\$ 9,403,641
	2037	\$ 1,264,747	\$ 21,731,346	\$ 0	\$ 9,403,641
	2038	\$ 1,255,387	\$ 22,986,733	\$ 0	\$ 9,403,641
	2039	\$ 1,236,667	\$ 24,223,399	\$ 0	\$ 9,403,641
	2040	\$ 1,217,947	\$ 25,441,346	\$ 0	\$ 9,403,641
	2041	\$ 1,199,227	\$ 26,640,572	\$ 0	\$ 9,403,641
	2042	\$ 1,180,507	\$ 27,821,079	\$ 0	\$ 9,403,641
	2043	\$ 1,161,787	\$ 28,982,866	\$ 0	\$ 9,403,641
	2044	\$ 1,143,067	\$ 30,125,932	\$ 0	\$ 9,403,641
	2045	\$ 1,124,347	\$ 31,250,279	\$ 0	\$ 9,403,641

\$ 31,250,279 is greater than \$ 9,403,641

<b>Analysis Summary</b> Is the project reasonably likely to generate tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?	<b>Yes</b>
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**Board Finding Number 10.**

**The limitation on appraised value requested by the Applicant is a determining factor in the Applicant's decision to invest capital and construct the project in this state.**

**Board Finding Number 11.**

**The ability of the Applicant to locate the proposed facility in another state or another region of this state is substantial, as a result of the highly competitive marketplace for economic development.**

In support of Findings 10 and 11, **Attachment C** of the economic impact study states:

The Comptroller has determined that the limitation on appraised value is a determining factor in the Applicant's decision to invest capital and construct the project in this state. This is based on information available, including information provided by the applicant. Specifically, the Comptroller notes the following:

I. Per JSW Steel (USA), in Tab 5 of their Application for a Limitation on Appraised Value:

A. "The company has made no public announcements of a definitive intent to construct the proposed new melt and casting facility adjacent to the Applicant's Baytown, Texas pipe and plate mill."

B. "With respect to potential locations in North America, the Applicant is also reviewing possible construction sites in Louisiana and Arkansas (see attached summary of potential incentives prepared for both; certain sensitive information has been redacted)."

C. "For the tax year 2016, Goose Creek CISD's maintenance and operations (M&O) tax rate represents almost 40% of the total property tax burden imposed on taxable property located at the Baytown location. Consequently, a limitation on appraised value under Chapter 313 of the Texas Tax Code is a determining factor in the Applicant's decision to invest capital and construct the Project in the State of Texas."

D. "Accordingly, securing a Chapter 313 appraised value limitation is critical to establishing a rate of return competitive with other investment opportunities and, therefore, is an important factor affecting JSW Group's final investment decision to construct and operate the proposed project in Texas."

E. The "Chapter 313 appraised value limitation is projected to result in \$9.17 million in tax savings. These savings have a material impact on the rate of return and discounted cash flow projections for the project and are equivalent to 3.7% of the projected total investment in the proposed project, which is considered material for financial purposes."

II. A June 19, 2017 *PR Newswire* press release states "JSW Steel (USA) Baytown, Texas, has announced that it has received preliminary Board approval, contingent upon securing governmental financial support, to proceed with a full-scale modernization project expected to take approximately

20 months to complete. The new state-of-the-art discrete plate mill will significantly increase product offerings while improving customer service with exceptional quality.” Additionally, as “part of JSW (USA)’s vision for the future, the plate mill modernization is the first phase of a much larger project under consideration by the Board. The second phase includes the construction of a new state-of-the-art melting and casting facility in the U.S. utilizing new technologically superior and eco-friendly processes. A location has not yet been determined for the melting and casting facility. If fully implemented, the new melting and casting facility is expected to create 500 new high wage American jobs over the course of three years.”

III. Per a *Houston Chronicle* article, dated September 8, 2016, JSW Steel USA’s Baytown mill plans to “improve the efficiency of the mill, owned by India-based JSW Group, and position the company to compete against cheaper, foreign steel producers that have dominated the global market.” Furthermore, JSW Steel was “seeking private equity to replace much of the mill’s plate-producing machinery and offering prospective investors the chance to buy most or all of the company.”

### **Supporting Information**

- a) Section 8 of the Application for a Limitation on Appraised Value
- b) Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value
- c) Additional information provided by the Applicant or located by the Comptroller

### **Board Finding Number 12.**

**The Board of Trustees of the Goose Creek Consolidated Independent School District hired consultants to review and verify the information in Application #1208. Based upon the consultants’ review, the Board has determined that the information provided by the Applicant appears to be true and correct.**

### **Board Finding Number 13.**

**The Board of Trustees has determined that the Tax Limitation Amount requested by the Applicant is currently One Hundred Million Dollars, which is consistent with the minimum values currently set out by Texas Tax Code § 313.054(a).**

### **Board Finding Number 14.**

**The Applicant (Taxpayer ID 32033679039) is eligible for the limitation on appraised value of Qualified Property as specified in the Agreement based on its “good standing” certification as a franchise-tax paying entity.**

### **Board Finding Number 15.**

**The Agreement for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code, attached hereto as Exhibit C, includes adequate and appropriate revenue protection provisions for the District.**

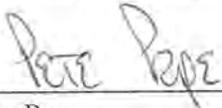
**Board Finding Number 16.**

**Considering the purpose and effect of the law and the terms of the Agreement, it is in the best interest of the District and the State to enter into the attached Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes.**

It is therefore ORDERED that the Agreement attached hereto as **Exhibit C** is approved and hereby authorized to be executed and delivered by and on behalf of the Goose Creek Consolidated Independent School District. It is further ORDERED that these Findings and the Attachments referred to herein be attached to the official minutes of this meeting, and maintained in the permanent records of the Board of Trustees of the Goose Creek Consolidated Independent School District.

Dated the 22<sup>nd</sup> day of March, 2018.

GOOSE CREEK CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

By:   
Pete Pape  
President, Board of Trustees

ATTEST:

By:   
Jessica Woods  
Secretary, Board of Trustees

Findings and Order of the Goose Creek Consolidated Independent School District  
Board of Trustees under the Texas Economic Development Act on the Application Submitted by  
JSW Steel (USA) Inc. (Tax ID 32033679039) (Application #1208)

**EXHIBIT A**

**Comptroller's Economic Impact Analysis**



**GLENN HEGAR** TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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P.O. Box 13528 • Austin, TX 78711-3528

February 2, 2018

Randal O'Brien  
Superintendent  
Goose Creek Consolidated Independent School District  
4544 Interstate 10 East  
Baytown, Texas 77522

Re: Certificate for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between Goose Creek Consolidated Independent School District and JSW Steel (USA) Inc., Application 1208

Dear Superintendent O'Brien:

On December 1, 2017, the Comptroller issued written notice that JSW Steel (USA) Inc. (applicant) submitted a completed application (Application 1208) for a limitation on appraised value under the provisions of Tax Code Chapter 313.<sup>1</sup> This application was originally submitted on May 31, 2017, to the Goose Creek Consolidated Independent School District (school district) by the applicant.

This presents the results of the Comptroller's review of the application and determinations required:

- 1) under Section 313.025(h) to determine if the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313; and
- 2) under Section 313.025(d), to issue a certificate for a limitation on appraised value of the property and provide the certificate to the governing body of the school district or provide the governing body a written explanation of the Comptroller's decision not to issue a certificate, using the criteria set out in Section 313.026.

**Determination required by 313.025(h)**

Sec. 313.024(a)      Applicant is subject to tax imposed by Chapter 171.  
Sec. 313.024(b)      Applicant is proposing to use the property for an eligible project.

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<sup>1</sup> All Statutory references are to the Texas Tax Code, unless otherwise noted.

Sec. 313.024(d) Applicant has committed to create the required number of new qualifying jobs and pay all jobs created that are not qualifying jobs a wage that exceeds the county average weekly wage for all jobs in the county where the jobs are located.

Sec. 313.024(d-2) Not applicable to Application 1208.

Based on the information provided by the applicant, the Comptroller has determined that the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313.

### **Certificate decision required by 313.025(d)**

Determination required by 313.026(c)(1)

The Comptroller has determined that the project proposed by the applicant is reasonably likely to generate tax revenue in an amount sufficient to offset the school district's maintenance and operations *ad valorem tax* revenue lost as a result of the agreement before the 25th anniversary of the beginning of the limitation period, see Attachment B.

Determination required by 313.026(c)(2)

The Comptroller has determined that the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state, see Attachment C.

Based on these determinations, the Comptroller issues a certificate for a limitation on appraised value. This certificate is contingent on the school district's receipt and acceptance of the Texas Education Agency's determination per 313.025(b-1).

The Comptroller's review of the application assumes the accuracy and completeness of the statements in the application. If the application is approved by the school district, the applicant shall perform according to the provisions of the Texas Economic Development Act Agreement (Form 50-826) executed with the school district. The school district shall comply with and enforce the stipulations, provisions, terms, and conditions of the agreement, applicable Texas Administrative Code and Chapter 313, per TAC 9.1054(i)(3).

This certificate is no longer valid if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this certificate is contingent on the school district approving and executing the agreement by December 31, 2018.

Note that any building or improvement existing as of the application review start date of December 1, 2017, or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2) and the Texas Administrative Code.

Should you have any questions, please contact Will Counihan, Director, Data Analysis & Transparency, by email at [will.counihan@cpa.texas.gov](mailto:will.counihan@cpa.texas.gov) or by phone toll-free at 1-800-531-5441, ext. 6-0758, or at 512-936-0758.

Sincerely,

Mike Reissig  
Deputy Comptroller

Enclosure

cc: Will Counihan

## Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller’s economic impact analysis of JSW Steel (USA) (project) applying to Goose Creek Consolidated Independent School District (district), as required by Tax Code, 313.026 and Texas Administrative Code 9.1055(d)(2).

**Table 1** is a summary of investment, employment and tax impact of JSW Steel (USA).

Applicant	JSW Steel (USA)
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Goose Creek CISD
2015-2016 Average Daily Attendance	21,885
County	Chambers
Proposed Total Investment in District	\$250,000,000
Proposed Qualified Investment	\$250,000,000
Limitation Amount	\$100,000,000
Qualifying Time Period (Full Years)	2019-2020
Number of new qualifying jobs committed to by applicant	500
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	\$1,250.00
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B)	\$1,210.88
Minimum annual wage committed to by applicant for qualified jobs	\$65,000
Minimum weekly wage required for non-qualifying jobs	\$1,204.25
Minimum annual wage required for non-qualifying jobs	\$62,621
Investment per Qualifying Job	\$500,000
Estimated M&O levy without any limit (15 years)	\$28,586,774
Estimated M&O levy with Limitation (15 years)	\$19,183,133
Estimated gross M&O tax benefit (15 years)	\$9,403,641

**Table 2** is the estimated statewide economic impact of JSW Steel (USA) (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2018	0	0	0	\$0	\$0	\$0
2019	122	377	499	\$7,930,000	\$32,070,000	\$40,000,000
2020	863	3,057	3920	\$52,465,000	\$265,535,000	\$318,000,000
2021	864	3,452	4316	\$52,520,000	\$320,480,000	\$373,000,000
2022	500	2,126	2626	\$32,500,000	\$225,500,000	\$258,000,000
2023	500	1,876	2376	\$32,500,000	\$218,500,000	\$251,000,000
2024	500	1,656	2156	\$32,500,000	\$210,500,000	\$243,000,000
2025	500	1,488	1988	\$32,500,000	\$205,500,000	\$238,000,000
2026	500	1,371	1871	\$32,500,000	\$201,500,000	\$234,000,000
2027	500	1,295	1795	\$32,500,000	\$201,500,000	\$234,000,000
2028	500	1,251	1751	\$32,500,000	\$203,500,000	\$236,000,000
2029	500	1,231	1731	\$32,500,000	\$207,500,000	\$240,000,000
2030	500	1,228	1728	\$32,500,000	\$214,500,000	\$247,000,000
2031	500	1,231	1731	\$32,500,000	\$222,500,000	\$255,000,000
2032	500	1,240	1740	\$32,500,000	\$232,500,000	\$265,000,000

Source: CPA REMI, JSW Steel (USA)

**Table 3** examines the estimated direct impact on ad valorem taxes to the region if all taxes are assessed.

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate*	Goose Creek CISD I&S Tax Levy	Goose Creek CISD M&O Tax Levy	Goose Creek CISD M&O and I&S Tax Levies	Chambers County Tax Levy	Navigation District Tax Levy	County Imp District Tax Levy	Lee College Tax Levy	Estimated Total Property Taxes
				0.2619	1.1700		0.5530	0.0916	0.0673	0.2453	
2018	\$1,998,000	\$1,998,000		\$5,233	\$23,377	\$28,609	\$11,049	\$1,831	\$1,344	\$4,901	\$47,734
2019	\$1,998,000	\$1,998,000		\$5,233	\$23,377	\$28,609	\$11,049	\$1,831	\$1,344	\$4,901	\$47,734
2020	\$1,998,000	\$1,998,000		\$5,233	\$23,377	\$28,609	\$11,049	\$1,831	\$1,344	\$4,901	\$47,734
2021	\$208,098,000	\$208,098,000		\$544,988	\$2,434,747	\$2,979,734	\$1,150,782	\$190,701	\$140,004	\$510,464	\$4,971,686
2022	\$204,048,000	\$204,048,000		\$534,381	\$2,387,362	\$2,921,743	\$1,128,385	\$186,990	\$137,279	\$500,530	\$4,874,927
2023	\$196,498,000	\$196,498,000		\$514,609	\$2,299,027	\$2,813,635	\$1,086,634	\$180,071	\$132,200	\$482,010	\$4,694,549
2024	\$190,298,000	\$190,298,000		\$498,371	\$2,226,487	\$2,724,858	\$1,052,348	\$174,389	\$128,029	\$466,801	\$4,546,425
2025	\$182,748,000	\$182,748,000		\$478,599	\$2,138,152	\$2,616,750	\$1,010,596	\$167,470	\$122,949	\$448,281	\$4,366,047
2026	\$177,348,000	\$177,348,000		\$464,457	\$2,074,972	\$2,539,428	\$980,734	\$162,522	\$119,316	\$435,035	\$4,237,035
2027	\$172,498,000	\$172,498,000		\$451,755	\$2,018,227	\$2,469,982	\$953,914	\$158,077	\$116,053	\$423,138	\$4,121,164
2028	\$164,948,000	\$164,948,000		\$431,982	\$1,929,892	\$2,361,874	\$912,162	\$151,158	\$110,974	\$404,617	\$3,940,786
2029	\$157,398,000	\$157,398,000		\$412,210	\$1,841,557	\$2,253,766	\$870,411	\$144,240	\$105,894	\$386,097	\$3,760,408
2030	\$149,848,000	\$149,848,000		\$392,437	\$1,753,222	\$2,145,659	\$828,659	\$137,321	\$100,815	\$367,577	\$3,580,031
2031	\$142,298,000	\$142,298,000		\$372,664	\$1,664,887	\$2,037,551	\$786,908	\$130,402	\$95,735	\$349,057	\$3,399,653
2032	\$134,748,000	\$134,748,000		\$352,892	\$1,576,552	\$1,929,443	\$745,156	\$123,483	\$90,656	\$330,537	\$3,219,275
2033	\$126,398,000	\$126,398,000		\$331,024	\$1,478,857	\$1,809,880	\$698,981	\$115,831	\$85,038	\$310,054	\$3,019,785
2034	\$118,848,000	\$118,848,000		\$311,251	\$1,390,522	\$1,701,773	\$657,229	\$108,912	\$79,959	\$291,534	\$2,839,407
2035	\$111,298,000	\$111,298,000		\$291,478	\$1,302,187	\$1,593,665	\$615,478	\$101,993	\$74,879	\$273,014	\$2,659,029
			<b>Total</b>	<b>\$6,398,795</b>	<b>\$28,586,774</b>	<b>\$34,985,569</b>	<b>\$13,511,526</b>	<b>\$2,239,053</b>	<b>\$1,643,813</b>	<b>\$5,993,449</b>	<b>\$58,373,410</b>

Source: CPA, JSW Steel (USA)

\*Tax Rate per \$100 Valuation

**Table 4** examines the estimated direct impact on ad valorem taxes to the school district and Chambers County, with all property tax incentives sought being granted using estimated market value from the application. The project has applied for a value limitation under Chapter 313, Tax Code and tax abatement with the county.

The difference noted in the last line is the difference between the totals in Table 3 and Table 4.

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate*	Goose Creek CISD I&S Tax Levy	Goose Creek CISD M&O Tax Levy	Goose Creek CISD M&O and I&S Tax Levies	Chambers County Tax Levy	Navigation District Tax Levy	County Imp District Tax Levy	Lee College Tax Levy	Estimated Total Property Taxes
				0.2619	1.1700		0.5530	0.0916	0.0673	0.2453	
2018	\$1,998,000	\$1,998,000		\$5,233	\$23,377	\$28,609	\$11,049	\$1,831	\$1,344	\$4,901	\$41,489
2019	\$1,998,000	\$1,998,000		\$5,233	\$23,377	\$28,609	\$11,049	\$1,831	\$1,344	\$4,901	\$41,489
2020	\$1,998,000	\$1,998,000		\$5,233	\$23,377	\$28,609	\$11,049	\$1,831	\$1,344	\$4,901	\$41,489
2021	\$208,098,000	\$100,000,000		\$544,988	\$1,170,000	\$1,714,988	\$1,150,782	\$190,701	\$140,004	\$510,464	\$3,056,471
2022	\$204,048,000	\$100,000,000		\$534,381	\$1,170,000	\$1,704,381	\$1,128,385	\$186,990	\$137,279	\$500,530	\$3,019,756
2023	\$196,498,000	\$100,000,000		\$514,609	\$1,170,000	\$1,684,609	\$1,086,634	\$180,071	\$132,200	\$482,010	\$2,951,313
2024	\$190,298,000	\$100,000,000		\$498,371	\$1,170,000	\$1,668,371	\$1,052,348	\$174,389	\$128,029	\$466,801	\$2,895,108
2025	\$182,748,000	\$100,000,000		\$478,599	\$1,170,000	\$1,648,599	\$1,010,596	\$167,470	\$122,949	\$448,281	\$2,826,665
2026	\$177,348,000	\$100,000,000		\$464,457	\$1,170,000	\$1,634,457	\$980,734	\$162,522	\$119,316	\$435,035	\$2,777,713
2027	\$172,498,000	\$100,000,000		\$451,755	\$1,170,000	\$1,621,755	\$953,914	\$158,077	\$116,053	\$423,138	\$2,733,746
2028	\$164,948,000	\$100,000,000		\$431,982	\$1,170,000	\$1,601,982	\$912,162	\$151,158	\$110,974	\$404,617	\$2,665,303
2029	\$157,398,000	\$100,000,000		\$412,210	\$1,170,000	\$1,582,210	\$870,411	\$144,240	\$105,894	\$386,097	\$2,596,860
2030	\$149,848,000	\$100,000,000		\$392,437	\$1,170,000	\$1,562,437	\$828,659	\$137,321	\$100,815	\$367,577	\$2,528,417
2031	\$142,298,000	\$142,298,000		\$372,664	\$1,664,887	\$2,037,551	\$786,908	\$130,402	\$95,735	\$349,057	\$2,954,861
2032	\$134,748,000	\$134,748,000		\$352,892	\$1,576,552	\$1,929,443	\$745,156	\$123,483	\$90,656	\$330,537	\$2,798,083
2033	\$126,398,000	\$126,398,000		\$331,024	\$1,478,857	\$1,809,880	\$698,981	\$115,831	\$85,038	\$310,054	\$2,624,692
2034	\$118,848,000	\$118,848,000		\$311,251	\$1,390,522	\$1,701,773	\$657,229	\$108,912	\$79,959	\$291,534	\$2,467,914
2035	\$111,298,000	\$111,298,000		\$291,478	\$1,302,187	\$1,593,665	\$615,478	\$101,993	\$74,879	\$273,014	\$2,311,136
			<b>Total</b>	<b>\$6,398,795</b>	<b>\$19,183,133</b>	<b>\$25,581,928</b>	<b>\$13,511,526</b>	<b>\$2,239,053</b>	<b>\$1,643,813</b>	<b>\$5,993,449</b>	<b>\$41,332,507</b>
			<b>Diff</b>	<b>\$0</b>	<b>\$9,403,641</b>	<b>\$9,403,641</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$17,040,903</b>

Source: CPA, JSW Steel (USA)

\*Tax Rate per \$100 Valuation

**Disclaimer:** This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

## Attachment B – Tax Revenue before 25<sup>th</sup> Anniversary of Limitation Start

This represents the Comptroller’s determination that JSW Steel (USA) (project) is reasonably likely to generate, before the 25th anniversary of the beginning of the limitation period, tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement. This evaluation is based on an analysis of the estimated M&O portion of the school district property tax levy directly related to this project, using estimated taxable values provided in the application.

	Tax Year	Estimated ISD M&O Tax Levy Generated (Annual)	Estimated ISD M&O Tax Levy Generated (Cumulative)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative)
<b>Limitation Pre-Years</b>	2018	\$23,377	\$23,377	\$0	\$0
	2019	\$23,377	\$46,753	\$0	\$0
	2020	\$23,377	\$70,130	\$0	\$0
<b>Limitation Period (10 Years)</b>	2021	\$1,170,000	\$1,240,130	\$1,264,747	\$1,264,747
	2022	\$1,170,000	\$2,410,130	\$1,217,362	\$2,482,108
	2023	\$1,170,000	\$3,580,130	\$1,129,027	\$3,611,135
	2024	\$1,170,000	\$4,750,130	\$1,056,487	\$4,667,621
	2025	\$1,170,000	\$5,920,130	\$968,152	\$5,635,773
	2026	\$1,170,000	\$7,090,130	\$904,972	\$6,540,745
	2027	\$1,170,000	\$8,260,130	\$848,227	\$7,388,971
	2028	\$1,170,000	\$9,430,130	\$759,892	\$8,148,863
	2029	\$1,170,000	\$10,600,130	\$671,557	\$8,820,419
	2030	\$1,170,000	\$11,770,130	\$583,222	\$9,403,641
<b>Maintain Viable Presence (5 Years)</b>	2031	\$1,664,887	\$13,435,016	\$0	\$9,403,641
	2032	\$1,576,552	\$15,011,568	\$0	\$9,403,641
	2033	\$1,478,857	\$16,490,425	\$0	\$9,403,641
	2034	\$1,390,522	\$17,880,946	\$0	\$9,403,641
	2035	\$1,302,187	\$19,183,133	\$0	\$9,403,641
<b>Additional Years as Required by 313.026(c)(1) (10 Years)</b>	2036	\$1,283,467	\$20,466,599	\$0	\$9,403,641
	2037	\$1,264,747	\$21,731,346	\$0	\$9,403,641
	2038	\$1,255,387	\$22,986,733	\$0	\$9,403,641
	2039	\$1,236,667	\$24,223,399	\$0	\$9,403,641
	2040	\$1,217,947	\$25,441,346	\$0	\$9,403,641
	2041	\$1,199,227	\$26,640,572	\$0	\$9,403,641
	2042	\$1,180,507	\$27,821,079	\$0	\$9,403,641
	2043	\$1,161,787	\$28,982,866	\$0	\$9,403,641
	2044	\$1,143,067	\$30,125,932	\$0	\$9,403,641
	2045	\$1,124,347	\$31,250,279	\$0	\$9,403,641
		<b>\$31,250,279</b>	is greater than	<b>\$9,403,641</b>	
<b>Analysis Summary</b>					
Is the project reasonably likely to generate tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?					Yes

NOTE: The analysis above only takes into account this project's estimated impact on the M&O portion of the school district property tax levy directly related to this project.

Source: CPA, JSW Steel (USA)

**Disclaimer:** This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

## Attachment C – Limitation as a Determining Factor

Tax Code 313.026 states that the Comptroller may not issue a certificate for a limitation on appraised value under this chapter for property described in an application unless the comptroller determines that “the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state.” This represents the basis for the Comptroller’s determination.

### Methodology

Texas Administrative Code 9.1055(d) states the Comptroller shall review any information available to the Comptroller including:

- the application, including the responses to the questions in Section 8 (Limitation as a Determining Factor);
- public documents or statements by the applicant concerning business operations or site location issues or in which the applicant is a subject;
- statements by officials of the applicant, public documents or statements by governmental or industry officials concerning business operations or site location issues;
- existing investment and operations at or near the site or in the state that may impact the proposed project;
- announced real estate transactions, utility records, permit requests, industry publications or other sources that may provide information helpful in making the determination; and
- market information, raw materials or other production inputs, availability, existing facility locations, committed incentives, infrastructure issues, utility issues, location of buyers, nature of market, supply chains, other known sites under consideration.

### Determination

The Comptroller **has determined** that the limitation on appraised value is a determining factor in the JSW Steel (USA)’s decision to invest capital and construct the project in this state. This is based on information available, including information provided by the applicant. Specifically, the Comptroller notes the following:

- Per JSW Steel (USA), in Tab 5 of their Application for a Limitation on Appraised Value:
  - A. “The company has made no public announcements of a definitive intent to construct the proposed new melt and casting facility adjacent to the Applicant’s Baytown, Texas pipe and plate mill.”
  - B. “With respect to potential locations in North America, the Applicant is also reviewing possible construction sites in Louisiana and Arkansas (see attached summary of potential incentives prepared for both; certain sensitive information has been redacted).”
  - C. “For the tax year 2016, Goose Creek CISD’s maintenance and operations (M&O) tax rate represents almost 40% of the total property tax burden imposed on taxable property located at the Baytown location. Consequently, a limitation on appraised value under Chapter 313 of the Texas Tax Code is a determining factor in the Applicant’s decision to invest capital and construct the Project in the State of Texas.”
  - D. “Accordingly, securing a Chapter 313 appraised value limitation is critical to establishing a rate of return competitive with other investment opportunities and, therefore, is an important factor affecting JSW Group’s final investment decision to construct and operate the proposed project in Texas.”
  - E. The “Chapter 313 appraised value limitation is projected to result in \$9.17 million in tax savings. These savings have a material impact on the rate of return and discounted cash flow projections for the project and are equivalent to 3.7% of the projected total investment in the proposed project, which is considered material for financial purposes.”
- A June 19, 2017 *PR Newswire* press release states “JSW Steel (USA) Baytown, Texas, has announced that it has received preliminary Board approval, contingent upon securing governmental financial support, to proceed with a full-scale modernization project expected to take approximately 20 months to complete. The new state-of-the-art discrete plate mill will significantly increase product offerings while improving customer service with exceptional quality.” Additionally, as “part of JSW

(USA)'s vision for the future, the plate mill modernization is the first phase of a much larger project under consideration by the Board. The second phase includes the construction of a new state-of-the-art melting and casting facility in the U.S. utilizing new technologically superior and eco-friendly processes. A location has not yet been determined for the melting and casting facility. If fully implemented, the new melting and casting facility is expected to create 500 new high wage American jobs over the course of three years.”

- Per a *Houston Chronicle* article, dated September 8, 2016, JSW Steel USA’s Baytown mill plans to “improve the efficiency of the mill, owned by India-based JSW Group, and position the company to compete against cheaper, foreign steel producers that have dominated the global market.” Furthermore, JSW Steel was “seeking private equity to replace much of the mill's plate-producing machinery and offering prospective investors the chance to buy most or all of the company.”

### **Supporting Information**

- a) Section 8 of the Application for a Limitation on Appraised Value
- b) Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value
- c) Additional information provided by the Applicant or located by the Comptroller

**Disclaimer:** This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

# **Supporting Information**

Section 8 of the Application for  
a Limitation on Appraised Value

**SECTION 6: Eligibility Under Tax Code Chapter 313.024**

1. Are you an entity subject to the tax under Tax Code, Chapter 171?  Yes  No
2. The property will be used for one of the following activities:
  - (1) manufacturing  Yes  No
  - (2) research and development  Yes  No
  - (3) a clean coal project, as defined by Section 5.001, Water Code  Yes  No
  - (4) an advanced clean energy project, as defined by Section 382.003, Health and Safety Code  Yes  No
  - (5) renewable energy electric generation  Yes  No
  - (6) electric power generation using integrated gasification combined cycle technology  Yes  No
  - (7) nuclear electric power generation  Yes  No
  - (8) a computer center that is used as an integral part or as a necessary auxiliary part for the activity conducted by applicant in one or more activities described by Subdivisions (1) through (7)  Yes  No
  - (9) a Texas Priority Project, as defined by 313.024(e)(7) and TAC 9.1051  Yes  No
3. Are you requesting that any of the land be classified as qualified investment?  Yes  No
4. Will any of the proposed qualified investment be leased under a capitalized lease?  Yes  No
5. Will any of the proposed qualified investment be leased under an operating lease?  Yes  No
6. Are you including property that is owned by a person other than the applicant?  Yes  No
7. Will any property be pooled or proposed to be pooled with property owned by the applicant in determining the amount of your qualified investment?  Yes  No

**SECTION 7: Project Description**

1. In **Tab 4**, attach a detailed description of the scope of the proposed project, including, at a minimum, the type and planned use of real and tangible personal property, the nature of the business, a timeline for property construction or installation, and any other relevant information.
2. Check the project characteristics that apply to the proposed project:
 

<input type="checkbox"/> Land has no existing improvements	<input type="checkbox"/> Land has existing improvements ( <i>complete Section 13</i> )
<input type="checkbox"/> Expansion of existing operation on the land ( <i>complete Section 13</i> )	<input type="checkbox"/> Relocation within Texas

**SECTION 8: Limitation as Determining Factor**

1. Does the applicant currently own the land on which the proposed project will occur?  Yes  No
2. Has the applicant entered into any agreements, contracts or letters of intent related to the proposed project?  Yes  No
3. Does the applicant have current business activities at the location where the proposed project will occur?  Yes  No
4. Has the applicant made public statements in SEC filings or other documents regarding its intentions regarding the proposed project location?  Yes  No
5. Has the applicant received any local or state permits for activities on the proposed project site?  Yes  No
6. Has the applicant received commitments for state or local incentives for activities at the proposed project site?  Yes  No
7. Is the applicant evaluating other locations not in Texas for the proposed project?  Yes  No
8. Has the applicant provided capital investment or return on investment information for the proposed project in comparison with other alternative investment opportunities?  Yes  No
9. Has the applicant provided information related to the applicant's inputs, transportation and markets for the proposed project?  Yes  No
10. Are you submitting information to assist in the determination as to whether the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in Texas?  Yes  No

**Chapter 313.026(e) states "the applicant may submit information to the Comptroller that would provide a basis for an affirmative determination under Subsection (c)(2)." If you answered "yes" to any of the questions in Section 8, attach supporting information in Tab 5.**

# **Supporting Information**

Attachments provided in Tab 5  
of the Application for a  
Limitation on Appraised Value

# Tab 5

## Limitation as Determining Factor

The Applicant is a subsidiary of the JSW Group, an \$11 billion conglomerate, which is a worldwide leading supplier of steel products and energy. JSW Group is headquartered in India and employs over 40,000 employees globally with 63 locations in Asia, North America, South America, and Africa. As such, the Applicant competes with other members of the JSW Group for approval of a portion of the group's capital investment budget to fund the capital investment necessary to construct the project. Moreover, the JSW Group has the ability to invest, locate, and develop new projects, such as the one that is the subject of this application, in numerous locations throughout the world.

The JSW Group takes a disciplined, long-term approach to investing, regardless of the economic cycle and the geographic location. They consistently seek new global investment opportunities that create value for their stakeholders. Their business model is to conduct an extensive evaluation before they make any final investment decisions. A project team is evaluating these opportunities with a focus on global logistic capabilities, efficiency, scale, and site integration. The company has made no public announcements of a definitive intent to construct the proposed new melt and casting facility adjacent to the Applicant's Baytown, Texas pipe and plate mill. With respect to potential locations in North America, the Applicant is also reviewing possible construction sites in Louisiana and Arkansas (see attached summary of potential incentives prepared for both; certain sensitive information has been redacted).

Competitive abatement programs for the proposed new melt and casting facility exist in alternative locations. The impact of the property tax burden on the economic return of the proposed new facility is an important factor in the Applicant's site selection evaluation and decision, as well as in obtaining approval for the project internally with the JSW Group's board of directors in India. For the tax year 2016, Goose Creek CISD's maintenance and operations (M&O) tax rate represents almost 40% of the total property tax burden imposed on taxable property located at the Baytown location. Consequently, a limitation on appraised value under Chapter 313 of the Texas Tax Code is a determining factor in the Applicant's decision to invest capital and construct the Project in the State of Texas.

The decision to make an investment in a particular jurisdiction depends on the economics of the investment in that jurisdiction. JSW Group's decision to proceed with the investment in the proposed project will be based on a number of commercial, regulatory, and financial considerations, including the ability to obtain relief regarding property taxes. Capital investments are allocated to projects and locations based on expected economic return, and projected property tax liabilities associated with the proposed project are a substantial ongoing cost of operation. With all the global project proposals JSW Group is considering, the Applicant is requesting a significant portion of the JSW Group's capital investment budget relative to the Applicant's small size within the JSW Group's global portfolio. The projected tax liabilities for the proposed project, without a Chapter 313 appraised value limitation, lower the economic rate of return and detract from the financial attractiveness of the project. In turn, the project becomes less competitive with other capital intensive projects that deliver higher rates of return on invested capital. Accordingly, securing a Chapter 313 appraised value limitation is critical to establishing a rate of return competitive with other investment opportunities and, therefore, is an important factor affecting JSW Group's final investment decision to construct and operate the proposed project in Texas.

A comparison of Goose Creek CISD's M&O ad valorem taxes with and without the Chapter 313 appraised limitation through the 10<sup>th</sup> anniversary of the beginning of the limitation period using the current Goose Creek CISD M&O ad valorem tax rate of \$1.17 per \$100 of the estimated M&O taxable values on Schedule B is shown below:

**M&O Ad Valorem Tax Comparison  
For Goose Creek CISD  
With and without Chapter 313 appraised value limitation**

<b>Tax Year</b>	<b>M&amp;O Taxes Without 313</b>	<b>M&amp;O Taxes With 313</b>
2021	\$2,411,370	\$1,170,000
2022	\$2,363,985	\$1,170,000
2023	\$2,275,650	\$1,170,000
2024	\$2,203,110	\$1,170,000
2025	\$2,114,775	\$1,170,000
2026	\$2,051,595	\$1,170,000
2027	\$1,994,850	\$1,170,000
2028	\$1,906,515	\$1,170,000
2029	\$1,818,180	\$1,170,000
2030	\$1,729,845	\$1,170,000
<b>Total</b>	<b>\$20,869,875</b>	<b>\$11,700,000</b>
<b>Difference</b>		<b>(\$9,169,875)</b>

As shown in the attachment, the Chapter 313 appraised value limitation is projected to result in \$9.17 million in tax savings. These savings have a material impact on the rate of return and discounted cash flow projections for the project and are equivalent to 3.7% of the projected total investment in the proposed project, which is considered material for financial purposes.

At present, the Applicant has received the following offers for local incentives (formal approvals subject to local government approval) at the proposed Baytown project site:

- Chambers County Chapter 381 County Incentive
- City of Baytown Industrial District Agreement

Summary of Potential Arkansas Incentives  
Prepared by: Grant Thornton LLP

Assumptions	
Location	Arkansas
Job Creation	
Low-End	■
High-End	■
Average Salary New Jobs	■
Personal Property	■
Real Property	■
Land	■
Other	■
Total Capital Investment	■

Program Name	Benefit	Negotiated / Statutory	Program Description	Eligibility	Estimated Value		Comments	
					Low	High		
<b>I. State Incentives</b>								
Sales And Use Tax Refund For New And Expanding Businesses (Tax Back)	Sales & Use Tax	Negotiated	Through the state's Tax Back program, Arkansas provides sales tax refunds on the purchase of building materials and taxable machinery and equipment to qualified businesses meeting investment and job creation requirements. The program does not allow the refund of tax dedicated to educational or concentration funds offers sales and use tax, which total 1 percent. With the state sale and use tax rate set at 6.5 percent, the remaining 5.5 percent would be eligible for refund.	Qualifying businesses include manufacturers investing more than \$100,000 in an approved project located in Arkansas. Additionally, the business must sign a job creation agreement under the Advantage Arkansas or Create Rebate programs within 24 months of the Tax Back agreement.	\$ ■	\$ ■	■	Applicants for Tax Back must obtain an endorsement resolution from a local governing authority authorizing the refund of its local taxes. Applicants must meet the qualification criteria under the requisite Advantage Arkansas or Create Rebate program in which they are participating and must be approved by Arkansas Economic Development Corporation (AEDC).
Advantage Arkansas (Income Tax Credit)	Income Tax	Negotiated	Arkansas offers corporate income tax credits to for job creation based on the payroll of new, full-time, permanent employees hired as the result of a capital investment project with the state and is earned each tax year for a period of five years. Credit amounts awarded through Advantage Arkansas range from 1 to 4 percent of qualified payroll. The credit cannot offset more than 50 percent of a business' income tax liability in any one year and may be carried forward for nine (9) years beyond the tax year in which the credit was first earned. The credit begins in the tax year in which the new employees are hired. Employees included in the new additional payroll under the project must be Arkansas taxpayers.	In order to qualify, taxpayers must meet certain job creation, wage and qualifying investment thresholds. In order to qualify for the Advantage Arkansas program (all tiers), the proposed average hourly wage of the new employees hired as a result of the project must be equal to or greater than the lowest county average hourly wage. Currently, the average hourly wage threshold for the Advantage Arkansas program is \$10.99.	\$ ■	\$ ■	■	Benefits provided by the Advantage Arkansas program are determined in relation to the tier of the county in which the project is located. Tiers are determined annually by AEDC. In addition, due to the limitations on the utilization of the tax credit, a detailed tax impact analysis of the project must be conducted to provide a better understanding of the value.
Investment Income Tax Credit (ArkPlus)	Income Tax	Negotiated	Arkansas offers a state income tax credit through its ArkPlus program. This discretionary incentive is offered in highly competitive situations and allows a state income tax credit of 10 percent of the total investment in a new location. The credit may be used to offset 50 percent of the Arkansas income tax liability in the tax year the credit is earned. Any unused credits may be carried forward for nine (9) years beyond the tax year in which the credit was first earned.	ArkPlus requires both a minimum investment and a minimum payroll of new, full-time, permanent employees hired as a result of the project. Total project expenditures must be incurred within four (4) years of the date the project is approved by AEDC. New, full-time, permanent employees must be hired within 48 months of the date the financial agreement is signed.	\$ ■	\$ ■	■	Minimum investment and minimum payroll requirements for the ArkPlus program are determined in relation to the tier of the county in which the project is located. Tiers are determined annually by AEDC. In addition, due to the limitations on the utilization of the tax credit, a detailed tax impact analysis of the project must be conducted to provide a better understanding of the value. Tiers are negotiated with AEDC.
Create Rebate	Cash Rebate	Negotiated	Through the state's Create Rebate program, the state offers annual cash payments based on a company's annual payroll for new, full-time, permanent employees. Credit amounts awarded through Create Rebate range from 3.9 percent-5 percent of qualified payroll. Benefits are available after the business certifies to the Arkansas Department of Finance & Administration that it has fulfilled the minimum payroll requirements and the reported payroll has been verified.	In order to qualify, taxpayers must create a minimum of \$2 million annually in new payroll. The minimum payroll must be met within 24 months of the effective date of the financial incentive agreement. No benefits may be claimed until the \$2 million annual payroll threshold is met.	\$ ■	\$ ■	■	Benefits provided by the Create Rebate program are determined in relation to the tier of the county in which the job creation occurs. Tiers are determined annually by AEDC. Terms are negotiated with AEDC.
Infrastructure Grants	Grant	Negotiated	AEDC shares the cost of project infrastructure needs by committing grants from state and federal infrastructure funds. The amount of assistance committed is dependent upon the strength of the company, number of jobs, average wages, project investment and costs associated with facility or site improvements.	Qualifying businesses include manufacturers investing in an approved project located in Arkansas.	■	■	■	Governor's Quick Action Closing Fund and Community Development Block Grants may be available to offset the cost of project infrastructure.

Program Name	Benefit	Negotiated / Statutory	Program Description	Eligibility	Estimated Value		Comments	
					Low	High		
Arkansas Business and Industry Training Program (BITP)	Training Funds	Negotiated	Through the Business and Industry Training Program (BITP), Arkansas has the ability to help new businesses offset workforce training costs. Program funds are focused in three areas including: providing financial assistance to recruiting new or expanding workforce in Arkansas, providing pre-employment training as well as on-the-job training.	Qualifying businesses include manufacturers investing in an approved project located in Arkansas. Financial assistance is not allowed for salary of trainees or new hires.	TBD	TBD	■■■■ s	Hours of instruction and the number of instructors depend on the types of jobs that require training.
<b>II. Local Incentives</b>								
Payment-In-Lieu-Of-Tax (PILOT)	Property Tax	Negotiated	Businesses may be able to offset property tax assessments on both real and personal property by agreeing to a payment-in-lieu-of-tax (PILOT) with the local government. Property financed by bonds can be exempted from city and county property taxes during the lease period in which a local government retains title to the property. The negotiated PILOT can not be less than 35 percent of the property taxes that would have been paid if the property were on the tax rolls, unless a lesser amount is approved by the AEDC and the State of Arkansas.	Negotiated payment-in-lieu-of-taxes made by businesses to local governments in lieu of property taxes are generally encouraged and negotiated between the parties involved.	■■■■	■■■■	■■■■	Arkansas cities and counties calculate property tax based on 20 percent of the market value of real and personal property and the average annual value of manufacturers' inventories based on millage rates in individual school districts. Businesses are subject to annual property tax on all real and personal property.
Community Development Block Grant (CDBG)	Grant	Negotiated	The Arkansas Community and Economic Development Program (ACEEDP) is the Community Development Block Grant (CDBG) program for the State of Arkansas and is administered by AEDC under a grant agreement between the state of Arkansas and the federal government. The CDBG program is a flexible program that provides communities to be used for a wide range of development needs.	Eligible applicants include rural cities and counties with a low-to-moderate income population of at least 51 percent. Larger cities receive their own funding and are not eligible for funds from the program administered by AEDC. The cities receiving their own CDBG allocation are: Conway, Fayetteville, Fort Smith, Hot Springs, Jacksonville, Jonesboro, Little Rock, North Little Rock, Pine Bluff, Rogers, Springdale, Texarkana, and West Memphis.	\$ -	\$ ■■■■	■■■■	The maximum benefit allowed under this program varies depending on the location.
<b>III. Federal Incentives</b>								
Federal New Markets Tax Credits	Financing	Negotiated	The federal government offers tax credits to incent the investment in low income areas of the country. The tax credit must be monetized by the business and is sold to a third party. As a result, the company realizes the benefit through a non-amortizing loan which is forgiven over a 7-year period. In order to participate, an allocation of credits must be obtained from a third-party entity.	Qualifying projects must be located in some of the most distressed communities in the nation. These qualifying census tracts include those where the individual poverty rate is at least 20 percent or where median family income does not exceed 80 percent of the area median.	\$0	■■■■	■■■■	The program is highly competitive to obtain and an allocation must be obtained from a third party entity. The company project must be located in a qualified area to be considered for an allocation.

Summary of Potential Louisiana Incentives  
Prepared by: Grant Thornton LLP

Assumptions	
Location	Louisiana
Job Creation	
Low-End	■
High-End	■
Average Salary New Jobs	■
Personal Property	■
Real Property	■
Land	■
Other	■
Total Capital Investment	■

Program Name	Benefit	Negotiated / Statutory	Program Description	Eligibility	Estimated Value		Comments	
					Low	High		
<b>I. State Incentives</b>								
<b>Competitive Projects Payroll Incentive Program Rebate</b>	Withholding Tax	Negotiated	The Competitive Projects Payroll Incentive (CPI) Program provides an incentive rebate of up to 15 percent of a participating company's new payroll for up to 10 years. Additionally, a participating company will be eligible for either a rebate of state sales and use taxes on capital expenditures or a 1.2 percent project facility expense rebate.	The company must be in a qualifying industry. At least 50 percent of the total sales of the business from its Louisiana site or sites are to out-of-state customers or buyers, or to in-state customers or buyers who resell the product or service to an out-of-state customer or buyer for ultimate use, or to the federal government, or any combination. Projects selected to participate in the program must demonstrate net new jobs and payroll within the state and the project is deemed to be competitive in nature. The business offers, or will offer within ninety days of the effective date of qualifying for the incentive rebates, a basic health benefits plan to the individuals it employs.	TBD	TBD	■	Terms are negotiated with the Louisiana Economic Development office. Based on our initial review of the business plan and the current program guidelines, we believe there is a low-probability of successfully negotiating this program. However, given the size of this project, we are including it as a possibility since the state may consider changing program guidelines.
<b>Enterprise Zone Program</b>	Income/Franchise Tax / Sales & Use Tax	Statutory	The Enterprise Zone, or EZ, program is a jobs incentive program that provides Louisiana income and franchise tax credits to a new or existing business located in Louisiana creating permanent net new full-time jobs, and hiring at least 50% of those net new jobs from one of four targeted groups. The benefit provides: Either a one-time \$3,500 or \$1,000 tax credit for each net new job created. A rebate of state sales and use taxes paid on qualifying materials, machinery, furniture, and/or equipment purchased or a 1.5% refundable investment tax credit on the total capital investment, excluding tax exempted items. The rebate shall not exceed \$100,000 per net new job.	Company must be located within the boundaries of a state EZ and create a minimum of five permanent net new full-time jobs within 24 months of their project start date or increase their current nationwide workforce by 10% within the first 12 months. Hire 50% of the net new jobs created from one or more of the certification requirements from residents who live in Enterprise Zone within the state, people receiving an approved form of public assistance, people lacking basic skills, or people unemployable by traditional standards.	■	■	■	Probability of success varies for this program. However, if the project is located within the boundaries of an EZ, it will qualify for the benefits. Company cannot take the Quality Jobs and the Enterprise Zone program.
<b>Louisiana Fast Start</b>	Training Assistance	Negotiated	The state offers a no-cost workforce training initiative offering services such as employee recruitment and screening, including assessments, safety and teamwork training, leadership development for managers, and specialized assistance for employees as they transition to new positions. FastStart also provides the development and delivery of key certification programs across Louisiana's workforce development system. In addition, services include delivery of comprehensive and customized training for industry specific processes and procedures.	A qualified project must be creating a minimum of 15 new permanent manufacturing or distribution jobs, or at least 50 new, permanent service-related jobs.	TBD	TBD	■	Value of the benefit may vary depending on the training needs of the company.
<b>Quality Jobs Program</b>	Income/Franchise Credit / Sales & Use Tax / Withholding Tax	Negotiated	The Quality Jobs, or QJ, program provides a cash rebate to companies that create well-paid jobs and promote economic development. The program provides up to a 6% cash rebate on 80% of gross payroll for new direct jobs for up to 10 years. Effective July 1, 2018, the rebate is available on 100% of gross annual payroll. It also provides a 4% sales/use rebate on capital expenditures or a 1.5% refundable investment tax credit on the total capital investment, excluding tax exempted items.	Company must be in a qualifying industry. In addition, the company must do the following: 1) create a minimum of five new direct full-time jobs (30 hours per week); 2) provide a basic health benefit plan/health insurance coverage; 3) pay employees at least \$14.50 per hour in wages and healthcare benefits; and 4) have a gross payroll of \$250,000 if the company has 50 or fewer employees statewide prior to the start date of the contract, or \$500,000 if the company has more than 50 employees statewide prior to the start date of the contract.	■	■	■	The company is in an industry that qualifies for the program. The state places additional program requirements on health care which can be provided upon request. Actual terms are negotiated with the Louisiana Economic Development office. The company cannot take advantage of the Quality Jobs program and the Enterprise Zone.

Program Name	Benefit	Negotiated / Statutory	Program Description	Eligibility	Estimated Value		Comments	
					Low	High		
Industrial Tax Exemption	Property Tax	Negotiated	The state offers local property tax abatements for up to 10 years on a manufacturer's new investment and annual capitalized additions related to the manufacturing site.	Only manufacturers can take advantage of this program. Therefore, to qualify the company must be engaged in processing or manufacturing in the state to qualify. Although job creation is not a formal requirement, the state considers the number of jobs created in its evaluation of a request for assistance through the program.	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	Although local tax abatements are awarded by municipalities in most states, in Louisiana they are awarded by the state. Furthermore, the local unit of government is not required to approve the benefit, but they are notified by the state. This program is most often used for existing industries.
<b>II. Local Incentives</b>								
Payment-In-Lieu of Tax Agreement	Property Tax	Negotiated	Businesses may be able to offset property tax assessments on both real and personal property by agreeing to a payment-in-lieu-of-tax (PILOT) with the city, parish, port commission or industrial development board. Property financed by bonds can be exempted from local property taxes during the lease period in which a local government retains title to the property; through this program, an abatement can be extended for up to 20 years.	PILOT applicants must show that the benefits to the community in the form of additional employment through construction or through permanent jobs creation, minimum annual payroll, sales tax revenues, etc., will equal or exceed the reduction in property tax payments.	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	
Local Option Sales Tax Rebate (Advantage Programs)	Sales Tax	Negotiated	Local units of government may offer local option sales and use tax rebate that can be applied to building materials, machinery, equipment and permanent fixtures purchased for the construction and start-up of the qualifying project. An additional incentive could also offer a ten year exemption on local ad valorem taxes for new or expanded property and equipment.	Louisiana mandates that the company must certify that it is a competitive project, create/retain 20 jobs, and the project must be pre-qualified to receive the State of Louisiana's Enterprise Zone or Quality Jobs incentive.	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	
Community Development Block Grant (CDBG)	Grant	Negotiated	Through the Louisiana Community Development Block Grant Program (LCDBG), the state awards and administers federal financial assistance to units of general local government in federally designated areas of the state to further develop communities by expanding economic opportunities in accordance with federal statutory requirements. Funds are generally restricted to support infrastructure projects.	Eligible applicants are units of general local government, such as eligible municipalities and parishes. These applicants pass funds along to the corresponding business project.	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	The maximum benefit allowed under this program varies depending on the location.
<b>III. Federal Incentives</b>								
New Markets Tax Credits	Financing	Negotiated	The federal government offers tax credits to incentivize the investment in low income areas of the country. The tax credit must be monetized by the business and is sold to a third party. As a result, the company realizes the benefit through a non-amortizing loan which is forgiven over a 7-year period. In order to participate, an allocation of credits must be obtained from a third-party entity.	Qualifying projects must be located in some of the most distressed communities in the nation. These qualifying census tracts include those where the individual poverty rate is at least 20 percent or where median family income does not exceed 80 percent of the area median.	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	The program is highly competitive to obtain and an allocation must be obtained from a third party entity. The company project must be located in a qualified area to be considered for an allocation.

# **Supporting Information**

Additional information  
provided by the Applicant or  
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# JSW Steel (USA) Receives Board Approval for Plate Mill Modernization, Selects Danieli for the Project



NEWS PROVIDED BY

**JSW Steel (USA)**

Jun 19, 2017, 12:30 ET

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BAYTOWN, Texas , June 19, 2017 /PRNewswire/ -- JSW Steel (USA) Baytown, Texas, has announced that it has received preliminary Board approval, contingent upon securing governmental financial support, to proceed with a full-scale modernization project expected to take approximately 20 months to complete. The new state-of-the-art discrete plate mill will significantly increase product offerings while improving customer service with exceptional quality. "While perfecting the unique plate and contiguous pipe mill facility in Baytown over the last two years, our engineering teams have been concurrently working to design the 'Plate Mill of the Future,'" said John Hritz, President and CEO of JSW Steel (USA).

JSW (USA) has awarded this distinctive project to Danieli, a world leader in steelmaking technology. The decision to select Danieli as the supplier was based on the company's long track record of excellence in large scale capital projects in the steel industry globally. "Danieli is the perfect partner for the modernization because they have been in business for more than 100 years and understand the level of quality and precision that the project will require."

As part of JSW (USA)'s vision for the future, the plate mill modernization is the first phase of a much larger project under consideration by the Board. The second phase includes the construction of a new state-of-the-art melting and casting facility in the U.S. utilizing new technologically superior and eco friendly processes. A location has not yet been determined for the melting and casting facility. If fully implemented, the new melting and casting facility is expected to create 500 new high wage American jobs over the course of three years. It would also increase JSW (USA)'s ability to supply defense, as well as energy pipeline and domestic infrastructure projects, a goal of the Trump administration for both national security and economic reasons.

"This is the perfect time in U.S. history to implement our vision; we finally have an environment that supports the expansion and technological advancement of the domestic steel industry," Hritz added. "We at JSW (USA) feel this project is fully in sync with rebuilding the American infrastructure promoted by the Trump administration."

"With this modernization, JSW (USA) will become a low cost producer of exceptional, high quality plate and will be able to significantly increase market share in the ever-strong US market," said Parth Jindal, Director, JSW (USA). "With the thrust on manufacturing back, JSW feels there is no better time to invest in the US market. The JSW Group's consideration to invest in JSW Steel (USA)'s expansion represents a vote of confidence in the future of U.S. manufacturing."

### **About JSW Steel (USA) Inc.**

JSW Steel (USA) is a wholly-owned subsidiary of JSW Group, an \$11 billion company headquartered in India with more than 40,000 employees worldwide. The Company operates a uniquely integrated plate/pipe mill complex with a strategic location for North American export markets. The Baytown, TX plate mill capacity is 1.2 mtpy and pipe mill capacity is 0.5 mtpy.

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# JSW Steel (USA) Receives Board Approval for Plate Mill Modernization, Selects Danieli for the Project

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## Baytown steel exec plans massive renovation

By Katherine Blunt | September 8, 2016 | Updated: September 8, 2016 8:41pm

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Photo: Michael Ciaglo, Staff

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**IMAGE 1 OF 13**

JSW Steel grinder Juan Silva smooths out the inside of a steel pipe Thursday, September 1, 2016 in Baytown. ( Michael Ciaglo / Houston Chronicle )

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The towering furnaces at JSW Steel USA in Baytown are stalwarts of a bygone era, built for a mill that, at its height, in the 1970s employed more than 2,000 people.

Four decades and many market slumps later, the mill has fewer than a quarter that many workers. But the furnaces survive, swallowing multiton slabs of steel and spitting them out glowing hot to be made into plates or pipes for railcars, tanks, oil and gas lines and other industrial infrastructure.

If CEO and President John Hritz's plan comes to be, the blackened workhorses will still have years left on the production line. At a time when many steel manufacturers are cutting costs or consolidating, he and his management team are seeking private equity to replace much of the mill's plate-producing machinery and offering prospective investors the chance to buy most or all of the company.

"The vision is to build a monster plate mill that won't be eclipsed for decades," Hritz said.

The plan is part of a broader effort to improve the efficiency of the mill, owned by India-based JSW Group, and position the company to compete against cheaper, foreign steel producers that have dominated the global market.

It's the latest in a series of significant changes Hritz, a longtime steel industry

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executive, has proposed since the mill's parent company hired him last year to address persistent quality and safety issues at the plant.

Hritz said JSW Group now is looking to reduce or shed its ownership of the company, which has roughly \$641 million in assets. He declined to say how much it would cost investors to acquire a majority stake, but he estimated the new plate mill will cost \$250 million to build in five phases.

He said the company will explore financing options for the renovations while negotiating a deal with an investment partner, which could be finalized in the coming months.

"In my mind, we can't go fast enough because the timing is right," Hritz said.

About eight firms are interested in the company, he said.

Hritz has brought about 30 new managers on board to address some of the problems at the mill, which had received numerous safety citations and frequent complaints from customers.

"This was a tough assignment," he said.

In 2012, the U.S. Occupational Safety and Health Administration cited JSW Steel for more than 20 serious violations, including failure to cover floor openings, provide railings along walkways above dangerous equipment and ensure the use of protective equipment. OSHA

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## BUSINESS

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cited the company in 2014 for nine more serious violations including failure to install safeguards on dangerous machinery.

The new top management emphasized safety in an environment where heavy equipment moves overhead and underfoot and the temperature can reach 130 degrees.

“ The vision is to build a monster plate mill that won't be eclipsed for decades.” — John Hritz, president and CEO, JSW Steel

Plate mill operations manager Derick Winfield, who has been at the mill for 20 years, said the increased safety focus has influenced interactions on the work floor.

"Teamwork is better than I've ever seen it," he said.

On days when operations are in full swing, the facility is filled with clamorous sounds and ferrous smells. The steel slabs are heated, smoothed and leveled into plates, many of which are pressed and welded into large-diameter pipe.

The plate mill, one of the largest of about 14 in the U.S., has the capacity to produce 1.2 million tons of steel each year; the pipe mill can produce as much as 500,000 tons annually. Both are operating at less than 40 percent capacity, and Hritz said he expects utilization to increase as the market improves and the company executes its investment plan.

Its intent to modernize aligns with a broader effort to invest in research or technology to improve domestic steel products and gain a competitive edge in advance of market upswings, said Ron Ashburn, executive director of the Association for Iron & Steel Technology.

"I think companies are arming themselves for future market demand," he said. "You really need to take advantage of the down market if you have the pockets to do it."

The scale of JSW's proposal is uncommon in an industry that has been downsizing for

years. Few companies have made comparable investments in older mills, said Estelle Tran, who covers the U.S. steel-sheet-product market for Platts, a division of S&P Global.

"A lot of the steelmakers have been losing money for so long, they can't make the (capital investments) they probably needed to in order to keep up with technology and domestic and foreign competitors," she said.

The oil price slump has exacerbated industry challenges. Late last year, U.S. Steel paused construction of a new electric-arc furnace at one of its mills in Alabama, a \$230 million project, citing weakened energy-related demand.

Hritz's team hopes the new JSW mill, which will take as long as two years to build, will begin operating when the markets for oil and steel have improved.

"When barrel pricing starts to get back to profitability for the domestic market, we'll be well positioned to participate," said Joseph Matvey, the company's director of internal audit.

The results of a recent trade case could also improve prospects for JSW and other domestic producers. In April, three U.S. companies alleged 12 countries are selling products to the U.S. at less than fair value.

The outcome of the case, which will likely be determined next year, could "curb plate imports dramatically" if the federal government decides to impose duties on the cheaper products, Tran said.

"This is the most inclusive trade case I've ever seen in terms of the number of countries involved," she said. "It could be a much more favorable environment in a year for the U.S. plate market."

JSW is considering participating in similar cases against cheaper pipe imports, which company data show accounted for about 45 percent of the U.S. market for such products last year. Those efforts and the plate trade case could position the company to capture a greater share of the domestic market and large-scale construction projects, Hritz said.

"If we get the right kind of opportunity, we would double employment," he said.

Findings and Order of the Goose Creek Consolidated Independent School District  
Board of Trustees under the Texas Economic Development Act on the Application Submitted by  
JSW Steel (USA) Inc. (Tax ID 32033679039) (Application #1208)

**EXHIBIT B**

**Summary of Financial Impact on  
Goose Creek Consolidated Prepared by  
Education Service Center, Region 12**

**SUMMARY OF THE FINANCIAL IMPACT OF THE PROPOSED  
JSW STEEL (USA) INC PROJECT  
(APPLICATION #1208)  
ON THE FINANCES OF  
GOOSE CREEK CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
UNDER A REQUESTED  
CHAPTER 313 APPRAISED VALUE LIMITATION**

**PREPARED BY  
EDUCATION SERVICE CENTER, REGION 12  
FEBRUARY 12, 2018**

## Introduction

JSW Steel (USA) Inc. (“JSW Steel”) has submitted an application to the Goose Creek Consolidated Independent School District (“GCCISD” or “District”) requesting a property value limitation on a proposed project, located within the school district boundaries, under Chapter 313 of the Texas Tax Code. The proposed project is the construction of a new melt and casting facility designed to produce metal slab near Baytown, TX. The company estimates that the total investment in this project will be approximately \$250 million.

Local government entities in Texas, including school districts, rely heavily on the ad valorem property tax to fund operations and building projects. Thus, the property tax burden that Texas imposes on individuals and business entities is higher compared to most other states. Seeking to encourage economic development and to attract large scale capital investment, the 77th Texas Legislature in 2001 enacted House Bill 1200 creating Tax Code Chapter 313, the Texas Economic Development Act. The act as amended by the legislature in 2007, 2009, and 2013 now grants eligibility to companies engaging in manufacturing, advanced clean energy projects, research and development, clean coal projects, renewable electric energy generation, electric power generation using integrated gasification combined cycle technology, nuclear electric power generation and a computer center used primarily in connection to one of the other categories, or a Texas Priority Project. Under the provisions of this law, the Goose Creek Consolidated Independent School District may grant a value limitation for maintenance and operation taxes in the amount of \$100 million dollars for a period of ten years.

The application calls for the project to be fully taxable for both maintenance and operation (M&O) and interest and sinking (I&S) during the 2019-20 and 2020-21 school years. Beginning with the 2021-22 school year, the value of the project would be limited to \$100 million for maintenance and operation (M&O) tax purposes and remain limited through the 2030-31 school year. The full value of the project will be taxable for debt service purposes using the I&S tax rate in all years of the agreement.

Revenue Protection Payment to Goose Creek CISD -	\$1,367,639
Supplemental Payments to Goose Creek CISD -	\$3,309,846
M&O Taxes Paid to Goose Creek CISD -	<u>\$19,159,756</u>
Total Revenue to Goose Creek CISD -	\$23,837,241
Total Tax Savings to Company after all Payments -	\$4,964,769

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## School Finance Mechanics

The Texas system of public school funding is based on the ad valorem property tax. Schools levy a tax rate for maintenance and operation (M&O) and interest and sinking (I&S) against a current year tax roll. State funding is calculated using a prior year value certified by the Comptroller's Property Tax Division (CPTD). Texas school districts are funded by some combination of local ad valorem property taxes and state aid. Most of the money that a school district generates through the funding formulas is generated in Tier 1. Local M&O collections at the compressed tax rate generate Tier I funding. In 2017-18, a school district's Tier I revenue is the greater of the adjusted minimum target revenue amount or the state share of Tier 1 plus local M&O collections at the compressed rate. Beginning with the 2017-18 school year, Additional State Aid for Tax Reduction or ASATR is eliminated. Thus all school districts in the state will be formula funded. The Tier 1 formulas start with a Basic Allotment per student of \$5,140. Calculations that use the number of students in average daily attendance, the number of students who participate in special programs, and adjustments for size, sparsity, and location determine a Total Cost of Tier 1. A Local Fund Assignment is determined by multiplying the district's compressed tax rate by the previous year (CPTD) property value. This formula determines the local ad valorem property taxes the district must collect in order to satisfy the district's share of the Tier 1 cost. School districts that are relatively property wealthy per student fund most of the Total Cost of Tier 1 with local property taxes, while school districts that are relatively property poor per student receive most of the Total Cost of Tier 1 from state aid.

Goose Creek CISD is a relatively property rich district per student and so is generating most of Maintenance and Operation revenue from local ad valorem property taxes. In an attempt to provide some degree of funding equity among school districts, the formulas provide two equalized wealth levels. A district that exceeds the first equalized wealth level of \$514,000 per weighted ADA is subject to recapture on taxes collected at the compressed rate. A district that exceeds the second equalized wealth level of \$319,500 per weighted ADA is subject to recapture on revenues collected on pennies that exceed six pennies over the compressed rate. GCCISD currently has property wealth per weighted ADA in excess of the second equalized wealth level at over \$345,000 per weighted ADA. For this reason, GCCISD is considered a Chapter 41 or "recapture" district under the current school finance system. JSW Steel is requesting that the value of the melt and casting project be limited to \$100,000,000 in years one through ten of the agreement, corresponding to the 2021-22 school year through the 2030-31 school year. The full value of the project would be subject to interest and sinking (I&S) taxes levied by Goose Creek CISD in all years of the agreement.

## Underlying Assumptions

A forecast of the financial impact that the proposed value limitation will have on GCCISD's future revenue is critical information that will be very useful to the district when making the decision to grant the limitation and for the district's long range financial planning process. Analysis for this application covers the 2019-20 through the 2035-36 school years.

The Revenue Protection Clause of the proposed agreement calls for the school district to be held harmless against total state and local maintenance and operation revenue losses as a result of the value limitation agreement. Revenue protection calculations are to be made using whatever property tax laws and school funding formulas are in place at that time in years one through ten of the agreement. This stipulation is a statutory requirement under Section 313.027 of the Tax Code.

The approach used in this report was to predict 17 years of base data including average daily attendance, M&O and I&S tax rates, maintenance and operation (M&O) tax collections and current year (CAD) values and prior year (CPTD) values for each year of the agreement. For the purposes of this analysis, final 2016 CPTD values were used as well as certified 2017 CAD (Central Appraisal District) values from Chambers and Harris Counties. GCCISD currently has several other approved Chapter 313 projects. These values have been included in the base data illustrated in **Table 1**.

**Table 1- Base District Information with JSW Steel (USA) Inc. Project (#1208)**

Year of Agreement	School Year	ADA	WADA	M&O Tax Rate	I&S Tax Rate	CAD Value No Limit	CAD Value with Limitation	CPTD No Limit	CPTD With Limitation	CPTD Value with Project per WADA	CPTD Value with Limitation per WADA
QTP1	2019-20	22,978	31,210	\$1.1700	\$0.2619	\$10,810,309,300	\$10,810,309,300	\$10,810,309,300	\$10,810,309,300	\$346,371	\$346,371
QTP2	2020-21	23,410	31,797	\$1.1700	\$0.2619	\$10,810,309,300	\$10,810,309,300	\$10,810,309,300	\$10,810,309,300	\$339,979	\$339,979
1	2021-22	23,850	32,395	\$1.1700	\$0.2619	\$11,016,409,300	\$10,908,311,300	\$10,810,309,300	\$10,810,309,300	\$333,706	\$333,706
2	2022-23	24,299	33,004	\$1.1700	\$0.2619	\$11,012,359,300	\$10,908,311,300	\$11,016,409,300	\$10,908,311,300	\$333,792	\$330,517
3	2023-24	24,756	33,624	\$1.1700	\$0.2619	\$11,078,981,440	\$10,982,483,440	\$11,012,359,300	\$10,908,311,300	\$327,512	\$324,418
4	2024-25	25,221	34,256	\$1.1700	\$0.2619	\$12,608,242,137	\$12,517,944,137	\$11,078,981,440	\$10,982,483,440	\$323,414	\$320,597
5	2025-26	25,695	34,900	\$1.1700	\$0.2619	\$12,555,410,599	\$12,472,662,599	\$12,608,242,137	\$12,517,944,137	\$361,263	\$358,676
6	2026-27	26,178	35,557	\$1.1700	\$0.2619	\$13,658,055,809	\$13,580,707,809	\$12,555,410,599	\$12,472,662,599	\$353,111	\$350,784
7	2027-28	26,670	36,225	\$1.1700	\$0.2619	\$13,557,953,914	\$13,485,455,914	\$13,658,055,809	\$13,580,707,809	\$377,034	\$374,899
8	2028-29	27,172	36,906	\$1.1700	\$0.2619	\$13,446,599,575	\$13,381,651,575	\$13,557,953,914	\$13,485,455,914	\$367,364	\$365,400
9	2029-30	27,683	37,600	\$1.1700	\$0.2619	\$13,361,249,367	\$13,303,851,367	\$13,446,599,575	\$13,381,651,575	\$357,624	\$355,896
10	2030-31	28,203	38,307	\$1.1700	\$0.2619	\$13,278,233,165	\$13,228,385,165	\$13,361,249,367	\$13,303,851,367	\$348,796	\$347,298
11	2031-32	28,733	39,027	\$1.1700	\$0.2619	\$13,197,480,949	\$13,197,480,949	\$13,278,233,165	\$13,228,385,165	\$340,233	\$338,956
12	2032-33	29,273	39,761	\$1.1700	\$0.2619	\$13,118,924,800	\$13,118,924,800	\$13,197,480,949	\$13,197,480,949	\$331,924	\$331,924
13	2033-34	29,824	40,508	\$1.1700	\$0.2619	\$13,041,698,835	\$13,041,698,835	\$13,118,924,800	\$13,118,924,800	\$323,859	\$323,859
14	2034-35	30,384	41,270	\$1.1700	\$0.2619	\$12,967,339,148	\$12,967,339,148	\$13,041,698,835	\$13,041,698,835	\$316,012	\$316,012
15	2035-36	30,956	42,046	\$1.1700	\$0.2619	\$12,894,983,753	\$12,894,983,753	\$12,967,339,148	\$12,967,339,148	\$308,412	\$308,412

To isolate the impact of the value limitation on the District's finances over this 17 year agreement, average daily attendance and maintenance and operation tax rates were held constant at levels that existed in the 2017-18 school year. An ADA of 22,138.07, a WADA of 30,069.330 and an M&O tax rate of \$1.17 are used for each year of the forecast. A tax collection rate of 100% is assumed in all of the calculations used in this analysis. The Chambers CAD certified the district's 2017 current year taxable M&O value at \$3,117,405,929 and Harris CAD certified the district's 2017 taxable M&O value at \$8,347,903,371. These values were used as the basis for subsequent current year (CAD) values in this report. The final 2016 T1, T2, T3 and T4 Comptroller Property Tax Division (CPTD) values, also certified to school districts in late July, were used as a basis for predicting prior year (CPTD) values for each of the agreement years.

On February 1, 2017 the Texas Education Agency issued a notice of a change in practice that will have an impact on the calculation of recapture amounts owed under Chapter 41 of the Texas Education Code. This change is effective for the 2016-17 school year and for future years. The changes have an impact on the way that recapture is calculated for districts that pay recapture and also have approved a local optional homestead exemption (LOHE). Goose Creek CISD falls into both of these categories and the change in rule has been taken into account for all of the calculations used in this analysis.

The proposed agreement calls for Goose Creek CISD to be held harmless against total state and local revenue losses that might occur as a result of the value limitation being in effect for any given year of the agreement. In order to predict when and if these revenue losses may occur, two models were developed. One model, illustrated in **Table 2**, incorporates the full value of the project into the state and local funding calculations. The other model, shown in **Table 3**, assumes that only the limited value of the project is available for M&O taxation purposes. In any year of the limitation period where total state and local funding with the full project value exceeds the total state and local funding produced when the limited value is used, a Revenue Protection Payment is indicated for that year. The results of these calculations are illustrated in **Table 4**.

### Financial Impact on the School District

Utilizing the assumptions and methodology described above, total maintenance and operation revenue was estimated for each year of the agreement. **Table 4**, which summarizes the difference between the two models, indicates that there will be a total revenue loss of \$1.367 million over the course of the agreement. The revenue loss by the district, due to the agreement, is estimated to be in the first year of the value limitation period. Most of the reductions in M&O taxes under this agreement are offset

by a reduction in recapture costs that the district would owe under current school finance law.

**Table 2 - "Baseline Revenue Model" - Project Value Added with No Value Limitation**

Year of Agreement	School Year	Foundation School Fund	Available School Fund	M&O Rev From Local Taxes (net of recapture and up to compressed rate)	M&O Rev From Local Taxes (up to \$.06 above compressed rate; no recapture)	M&O Rev From Local Taxes (net of any recapture)	Recapture at the \$514,00 Level 1	Recapture at the \$319,500 Level 2	Total General Fund
QTP1	2019-20	\$69,044,058	\$4,427,614	\$108,103,093	\$6,486,186	\$10,741,695	\$0	\$1,149,645	\$198,802,645
QTP2	2020-21	\$65,169,896	\$8,301,776	\$108,103,093	\$6,486,186	\$10,741,695	\$0	\$1,149,645	\$198,802,645
1	2021-22	\$67,894,699	\$4,547,414	\$110,164,093	\$6,609,846	\$10,946,292	\$0	\$1,171,758	\$200,162,344
2	2022-23	\$62,985,236	\$8,301,776	\$110,123,593	\$6,607,416	\$10,748,502	\$0	\$1,365,093	\$198,766,523
3	2023-24	\$66,941,686	\$4,427,614	\$110,789,814	\$6,647,389	\$10,817,217	\$0	\$1,369,663	\$199,623,720
4	2024-25	\$63,805,220	\$8,301,776	\$126,082,421	\$7,564,945	\$12,238,632	\$0	\$1,630,435	\$217,992,995
5	2025-26	\$48,325,183	\$4,547,414	\$125,554,106	\$7,533,246	\$10,788,370	\$0	\$3,022,582	\$196,748,320
6	2026-27	\$46,058,674	\$8,301,776	\$136,580,558	\$8,194,833	\$11,780,227	\$0	\$3,243,635	\$210,916,068
7	2027-28	\$37,143,280	\$4,427,614	\$135,579,539	\$8,134,772	\$10,806,235	\$0	\$4,107,514	\$196,091,440
8	2028-29	\$34,311,397	\$8,301,776	\$134,465,996	\$8,067,960	\$10,791,742	\$0	\$3,999,518	\$195,938,871
9	2029-30	\$38,032,877	\$4,547,414	\$133,612,494	\$8,016,750	\$10,806,527	\$0	\$3,890,848	\$195,016,061
10	2030-31	\$36,414,079	\$8,301,776	\$132,782,332	\$7,966,940	\$10,803,786	\$0	\$3,802,270	\$196,268,913
11	2031-32	\$41,167,881	\$4,427,614	\$131,974,809	\$7,918,489	\$10,801,127	\$0	\$3,716,102	\$196,289,920
12	2032-33	\$38,149,369	\$8,301,776	\$131,189,248	\$7,871,355	\$10,798,546	\$0	\$3,632,271	\$196,310,294
13	2033-34	\$41,504,919	\$4,547,414	\$130,416,988	\$7,825,019	\$10,795,380	\$0	\$3,550,489	\$195,089,720
14	2034-35	\$39,818,952	\$8,301,776	\$129,673,391	\$7,780,403	\$10,793,564	\$0	\$3,470,509	\$196,368,088
15	2035-36	\$44,481,104	\$4,427,614	\$128,949,838	\$7,736,990	\$10,791,202	\$0	\$3,393,280	\$196,386,748

**Table 3 - "Value Limitation Revenue Model" - Project Value Added With Value Limit**

Year of Agreement	School Year	Foundation School Fund	Available School Fund	M&O Rev From Local Taxes (net of recapture and up to compressed rate)	M&O Rev From Local Taxes (up to \$.06 above compressed rate; no recapture)	M&O Rev From Local Taxes (net of any recapture)	Recapture at the \$514,000 Level 1	Recapture at the \$319,500 Level 2	Total General Fund
QTP1	2019-20	\$69,044,058	\$4,427,614	\$108,103,093	\$6,486,186	\$10,741,695	\$0	\$1,149,645	\$198,802,645
QTP2	2020-21	\$65,169,896	\$8,301,776	\$108,103,093	\$6,486,186	\$10,741,695	\$0	\$1,149,645	\$198,802,645
1	2021-22	\$67,780,209	\$4,547,414	\$109,083,113	\$6,544,987	\$10,838,982	\$0	\$1,160,160	\$198,794,705
2	2022-23	\$64,131,074	\$8,301,776	\$109,083,113	\$6,544,987	\$10,746,817	\$0	\$1,252,325	\$198,807,767
3	2023-24	\$68,045,011	\$4,427,614	\$109,824,834	\$6,589,490	\$10,819,817	\$0	\$1,260,915	\$199,706,766
4	2024-25	\$64,857,083	\$8,301,776	\$125,179,441	\$7,510,766	\$12,252,114	\$0	\$1,517,625	\$218,101,181
5	2025-26	\$49,299,445	\$4,547,414	\$124,726,626	\$7,483,598	\$10,790,047	\$0	\$2,929,882	\$196,847,130
6	2026-27	\$46,940,188	\$8,301,776	\$135,807,078	\$8,148,425	\$11,786,724	\$0	\$3,152,055	\$210,984,190
7	2027-28	\$37,962,860	\$4,427,614	\$134,854,559	\$8,091,274	\$10,805,873	\$0	\$4,028,128	\$196,142,180
8	2028-29	\$35,079,514	\$8,301,776	\$133,816,516	\$8,028,991	\$10,793,786	\$0	\$3,926,031	\$196,020,584
9	2029-30	\$38,737,576	\$4,547,414	\$133,038,514	\$7,982,311	\$10,809,119	\$0	\$3,825,117	\$195,114,934
10	2030-31	\$37,040,922	\$8,301,776	\$132,283,852	\$7,937,031	\$10,806,823	\$0	\$3,744,400	\$196,370,404
11	2031-32	\$41,752,258	\$4,427,614	\$131,974,809	\$7,918,489	\$10,839,262	\$0	\$3,677,967	\$196,912,432
12	2032-33	\$38,149,369	\$8,301,776	\$131,189,248	\$7,871,355	\$10,798,546	\$0	\$3,632,271	\$196,310,294
13	2033-34	\$41,504,919	\$4,547,414	\$130,416,988	\$7,825,019	\$10,795,380	\$0	\$3,550,489	\$195,089,720
14	2034-35	\$39,818,952	\$8,301,776	\$129,673,391	\$7,780,403	\$10,793,564	\$0	\$3,470,509	\$196,368,088
15	2035-36	\$44,481,104	\$4,427,614	\$128,949,838	\$7,736,990	\$10,791,202	\$0	\$3,393,280	\$196,386,748

**Table 4 - "Baseline Revenue Model" Less "Value Limitation Model"**

Year of Agreement	School Year	Foundation School Fund	Available School Fund	M&O Rev From Local Taxes (net of recapture and up to compressed rate)	M&O Rev From Local Taxes (up to \$.06 above compressed rate; no recapture)	M&O Rev From Local Taxes (net of any recapture)	Recapture at the \$514,000 Level 1	Recapture at the \$319,500 Level 2	Total General Fund
QTP1	2019-20	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
QTP2	2020-21	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1	2021-22	-\$114,490	\$0	-\$1,080,980	-\$64,859	-\$107,310	\$0	-\$11,598	-\$1,367,639
2	2022-23	\$1,145,838	\$0	-\$1,040,480	-\$62,429	-\$1,685	\$0	-\$112,768	\$0
3	2023-24	\$1,103,325	\$0	-\$964,980	-\$57,899	\$2,600	\$0	-\$108,747	\$0
4	2024-25	\$1,051,863	\$0	-\$902,980	-\$54,179	\$13,482	\$0	-\$112,810	\$0
5	2025-26	\$974,262	\$0	-\$827,480	-\$49,649	\$1,677	\$0	-\$92,700	\$0
6	2026-27	\$881,514	\$0	-\$773,480	-\$46,409	\$6,497	\$0	-\$91,580	\$0
7	2027-28	\$819,580	\$0	-\$724,980	-\$43,499	-\$362	\$0	-\$79,386	\$0
8	2028-29	\$768,117	\$0	-\$649,480	-\$38,969	\$2,045	\$0	-\$73,487	\$0
9	2029-30	\$704,699	\$0	-\$573,980	-\$34,439	\$2,593	\$0	-\$65,731	\$0
10	2030-31	\$626,843	\$0	-\$498,480	-\$29,909	\$3,037	\$0	-\$57,870	\$0
11	2031-32	\$584,377	\$0	\$0	\$0	\$38,135	\$0	-\$38,135	\$0
12	2032-33	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	2033-34	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	2034-35	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
15	2035-36	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

### Financial Impact on the Taxpayer

The terms of the proposed agreement call for the maintenance and operation (M&O) value of the project to be limited to \$100 million starting in school year 2021-22 and remaining limited through school year 2030-31. The potential gross and net tax savings to JSW Steel are shown in **Table 5**. As stated earlier, an M&O tax rate of \$1.17 and a collection rate of 100% is used throughout the calculations in this report. **Table 5** shows gross tax savings due to the limitation of just over \$9.403 million over the length of the contract. Net tax savings are estimated to be \$8.036 million. To estimate supplemental payments to the school district of \$100 per ADA, a growth model of ADA was applied to the base ADA of 22,014, which was the near-final ADA for GCCISD for the 2016-17 school year. The growth factor used was 1.8%, which is in line with the last six years of ADA data from TEA. It should be noted, however, as reflected in the Financial Impact Summary (Table 5), Supplemental Payments will be limited to 40% of the estimated Net Tax Benefit.

### Facilities Funding Impact on the District

Reports submitted by JSW Steel show the full value of the property being depreciated over time. Even so, the full value of the project will be available to the district for I&S taxes and will enhance the district's ability to service current and future debt obligations. Texas funding laws provide assistance to school districts for debt service purposes in the form of the Instructional Facilities Allotment and the Existing Debt Allotment. The formulas provide a guarantee of \$35 per ADA per penny of tax effort. GCCISD has property wealth per WADA that exceeds this amount and is thus not eligible for this

State assistance. While the project is expected to provide additional employment opportunities in the area, the impact on student enrollment is predicted to be minimal.

**Table 5: Estimated Financial Impact on the JSW Steel (USA) Inc. Property Value Limitation Request to Goose Creek CISD**

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)		
Year of Agreement	School Year	Project Value	Estimated Taxable Value	Value Savings	Assumed M&O Tax Rate	Taxes Before Value Limit	Taxes after Value Limit	Tax Savings @ Projected M&O Rate	School District Revenue Losses	Estimated Net Tax Benefits	School District Benefit \$100 per ADA	Company Tax Benefit	School District Benefit@ Lesser of 40% of Savings	Company Tax Savings @ ISD Lesser of 40% Benefit
QTP1	2018-19	\$1,998,000	\$1,998,000	\$0	\$1.170	\$23,377	\$23,377	\$0	\$0	\$0	\$2,297,821	-\$2,297,821	\$-	\$-
QTP2	2019-20	\$1,998,000	\$1,998,000	\$0	\$1.170	\$23,377	\$23,377	\$0	\$0	\$0	\$2,341,020	-\$2,341,020	\$-	\$-
1	2020-21	\$208,098,000	\$100,000,000	\$108,098,000	\$1.170	\$2,434,747	\$1,170,000	\$1,264,747	\$0	\$1,264,747	\$2,385,032	-\$1,120,285	\$505,898.64	\$758,847.96
2	2021-22	\$204,048,000	\$100,000,000	\$104,048,000	\$1.170	\$2,387,362	\$1,170,000	\$1,217,362	-\$1,367,639	-\$150,277	\$2,429,870	-\$2,580,147	\$486,944.64	\$730,416.96
3	2022-23	\$196,498,000	\$100,000,000	\$96,498,000	\$1.170	\$2,299,027	\$1,170,000	\$1,129,027	\$0	\$1,129,027	\$2,475,552	-\$1,346,525	\$-	\$-
4	2023-24	\$190,298,000	\$100,000,000	\$90,298,000	\$1.170	\$2,226,487	\$1,170,000	\$1,056,487	\$0	\$1,056,487	\$2,522,092	-\$1,465,605	\$422,594.64	\$633,891.96
5	2024-25	\$182,748,000	\$100,000,000	\$82,748,000	\$1.170	\$2,138,152	\$1,170,000	\$968,152	\$0	\$968,152	\$2,569,507	-\$1,601,356	\$387,260.64	\$580,890.96
6	2025-26	\$177,348,000	\$100,000,000	\$77,348,000	\$1.170	\$2,074,972	\$1,170,000	\$904,972	\$0	\$904,972	\$2,617,814	-\$1,712,843	\$361,988.64	\$542,982.96
7	2026-27	\$172,498,000	\$100,000,000	\$72,498,000	\$1.170	\$2,018,227	\$1,170,000	\$848,227	\$0	\$848,227	\$2,667,029	-\$1,818,802	\$339,290.64	\$508,935.96
8	2027-28	\$164,948,000	\$100,000,000	\$64,948,000	\$1.170	\$1,929,892	\$1,170,000	\$759,892	\$0	\$759,892	\$2,717,169	-\$1,957,278	\$303,956.64	\$455,934.96
9	2028-29	\$157,398,000	\$100,000,000	\$57,398,000	\$1.170	\$1,841,557	\$1,170,000	\$671,557	\$0	\$671,557	\$2,768,252	-\$2,096,695	\$268,622.64	\$402,933.96
10	2029-30	\$149,848,000	\$100,000,000	\$49,848,000	\$1.170	\$1,753,222	\$1,170,000	\$583,222	\$0	\$583,222	\$2,820,295	-\$2,237,074	\$233,288.64	\$349,932.96
11	2030-31	\$142,298,000	\$142,298,000	\$0	\$1.170	\$1,664,887	\$1,664,887	\$0	\$0	\$0	\$2,873,317	-\$2,873,317	\$-	\$-
12	2031-32	\$134,748,000	\$134,748,000	\$0	\$1.170	\$1,576,552	\$1,576,552	\$0	\$0	\$0	\$2,927,335	-\$2,927,335	\$-	\$-
13	2032-33	\$126,398,000	\$126,398,000	\$0	\$1.170	\$1,478,857	\$1,478,857	\$0	\$0	\$0	\$2,982,369	-\$2,982,369	\$-	\$-
14	2033-34	\$118,848,000	\$118,848,000	\$0	\$1.170	\$1,390,522	\$1,390,522	\$0	\$0	\$0	\$3,038,437	-\$3,038,437	\$-	\$-
15	2034-35	\$111,298,000	\$111,298,000	\$0	\$1.170	\$1,302,187	\$1,302,187	\$0	\$0	\$0	\$3,095,560	-\$3,095,560	\$-	\$-
<b>TOTALS</b>													<b>\$ 3,309,845.76</b>	<b>\$ 4,964,768.64</b>
													<b>District Benefit</b>	<b>Company Savings</b>

### Conclusion

The JSW Steel project proposed in this application will benefit the community, the district, GCCISD, and the taxpayer, JSW Steel. The community will receive economic development, the taxpayer will enjoy savings on property taxes and the district will be held harmless from revenue loss due to the provisions of the agreement. The district will also enjoy an increased value available for I&S tax collections dedicated to debt service that can be leveraged to provide first class facilities for faculty and students.

Remember that the Texas Legislature could take action that could potentially change the impact of this agreement on the finances of Goose Creek CISD and result in estimates that differ significantly from the estimates presented in this analysis. Some of the factors that could significantly change these estimates are legislative or administrative changes by the Texas Legislature, the Texas Education Agency or the Comptroller of Public Accounts. Those changes could contain changes to the school finance formulas, property value appraisals and tax exemptions. Other factors which could change, and will impact the estimates of this agreement, include changes to property values, district tax rates and student enrollment.

## Estimated Financial Impact

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	School District Benefit@ Lesser of 40% of Savings	Company Tax Savings @ 40% of Lesser of 40% Benefit	
Year of Agreement	School Year	Project Value	Estimated Taxable Value	Value Savings	Assumed M&O Tax Rate	Taxes Before Value Limit	Taxes after Value Limit	Tax Savings @ Projected M&O Rate	School District Revenue Losses	Estimated Net Tax Benefits	ANNUAL LIMIT	School District Tax Benefit \$100 per ADA	Company Tax Benefit		
STUB	2016-17	\$1,998,000	\$1,998,000	\$0	\$1.170	\$23,377	\$23,377	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$-
STUB	2017-18	\$1,998,000	\$1,998,000	\$0	\$1.170	\$23,377	\$23,377	\$0	\$0	\$0	\$2,297,821	\$2,255,419	-\$2,255,419	\$-	\$-
QTP1	2018-19	\$1,998,000	\$1,998,000	\$0	\$1.170	\$23,377	\$23,377	\$0	\$0	\$0	\$2,341,020	\$2,297,821	-\$2,297,821	\$-	\$-
QTP2	2019-20	\$1,998,000	\$1,998,000	\$0	\$1.170	\$23,377	\$23,377	\$0	\$0	\$0	\$2,385,032	\$2,341,020	-\$2,341,020	\$-	\$-
1	2020-21	\$208,098,000	\$100,000,000	\$108,098,000	\$1.170	\$2,434,747	\$1,170,000	\$1,264,747	\$0	\$1,264,747	\$2,429,870	\$2,385,032	-\$1,120,285	\$505,898.64	\$758,847.96
2	2021-22	\$204,048,000	\$100,000,000	\$104,048,000	\$1.170	\$2,387,362	\$1,170,000	\$1,217,362	-\$1,367,639	-\$150,277	\$2,475,552	\$2,429,870	-\$2,580,147	\$486,944.64	\$730,416.96
3	2022-23	\$196,498,000	\$100,000,000	\$96,498,000	\$1.170	\$2,299,027	\$1,170,000	\$1,129,027	\$0	\$1,129,027	\$2,522,092	\$2,475,552	-\$1,346,525	\$1,217,362.00	\$-
4	2023-24	\$190,298,000	\$100,000,000	\$90,298,000	\$1.170	\$2,226,487	\$1,170,000	\$1,056,487	\$0	\$1,056,487	\$2,569,507	\$2,522,092	-\$1,465,605	\$422,594.64	\$633,891.96
5	2024-25	\$182,748,000	\$100,000,000	\$82,748,000	\$1.170	\$2,138,152	\$1,170,000	\$968,152	\$0	\$968,152	\$2,617,814	\$2,569,507	-\$1,601,356	\$387,260.64	\$580,890.96
6	2025-26	\$177,348,000	\$100,000,000	\$77,348,000	\$1.170	\$2,074,972	\$1,170,000	\$904,972	\$0	\$904,972	\$2,667,029	\$2,617,814	-\$1,712,843	\$361,988.64	\$542,982.96
7	2026-27	\$172,498,000	\$100,000,000	\$72,498,000	\$1.170	\$2,018,227	\$1,170,000	\$848,227	\$0	\$848,227	\$2,717,169	\$2,667,029	-\$1,818,802	\$339,290.64	\$508,935.96
8	2027-28	\$164,948,000	\$100,000,000	\$64,948,000	\$1.170	\$1,929,892	\$1,170,000	\$759,892	\$0	\$759,892	\$2,768,252	\$2,717,169	-\$1,957,278	\$303,956.64	\$455,934.96
9	2028-29	\$157,398,000	\$100,000,000	\$57,398,000	\$1.170	\$1,841,557	\$1,170,000	\$671,557	\$0	\$671,557	\$2,820,295	\$2,768,252	-\$2,096,695	\$268,622.64	\$402,933.96
10	2029-30	\$149,848,000	\$100,000,000	\$49,848,000	\$1.170	\$1,753,222	\$1,170,000	\$583,222	\$0	\$583,222	\$2,873,317	\$2,820,295	-\$2,237,074	\$233,288.64	\$349,932.96
11	2030-31	\$142,298,000	\$142,298,000	\$0	\$1.170	\$1,664,887	\$1,664,887	\$0	\$0	\$0	\$2,927,335	\$2,873,317	-\$2,873,317	\$-	\$-
12	2031-32	\$134,748,000	\$134,748,000	\$0	\$1.170	\$1,576,552	\$1,576,552	\$0	\$0	\$0	\$2,982,369	\$2,927,335	-\$2,927,335	\$-	\$-
13	2032-33	\$126,398,000	\$126,398,000	\$0	\$1.170	\$1,478,857	\$1,478,857	\$0	\$0	\$0	\$3,038,437	\$2,982,369	-\$2,982,369	\$-	\$-
14	2033-34	\$118,848,000	\$118,848,000	\$0	\$1.170	\$1,390,522	\$1,390,522	\$0	\$0	\$0	\$3,095,560	\$3,038,437	-\$3,038,437	\$-	\$-
15	2034-35	\$216,299,991	\$216,299,991	\$0	\$1.170	\$2,530,710	\$2,530,710	\$0	\$0	\$0	\$3,095,560	\$3,095,560	-\$3,095,560	\$-	\$-
<b>TOTALS</b>						\$29,815,297	\$20,411,656	\$9,403,641	-\$1,367,639	\$8,036,002	\$48,624,032	\$47,783,892	-\$39,747,889	\$-	\$-
											<b>\$ 4,527,207.76</b>			<b>\$ 4,964,768.64</b>	
											<b>District Benefit</b>			<b>Company Savings</b>	

\*Note: School District Revenue-Loss estimates are subject to change based on various factors, including legislative and Texas Education Agency administrative changes to school finance formulas, year-to-year project appraisal values, and changes in school district tax rates. One of the most substantial changes to the school finance formulas related to Chapter 313 revenue-loss projections could be the treatment of Additional State Aid for Tax Reduction (ASATR). Legislative intent is to end ASATR in 2017-18 school year. Additional information on the assumptions used in preparing these estimates is provided in the narrative of this Report.

Findings and Order of the Goose Creek Consolidated Independent School District  
Board of Trustees under the Texas Economic Development Act on the Application Submitted by  
JSW Steel (USA) Inc. (Tax ID 32033679039) (Application #1208)

**EXHIBIT C**

**Proposed Agreement between  
Goose Creek Consolidated Independent School District  
and JSW Steel (USA) Inc.**



**GLENN HEGAR** TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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P.O. Box 13528 • Austin, TX 78711-3528

March 21, 2018

Randal O'Brien  
Superintendent  
Goose Creek Consolidated Independent School District  
4544 Interstate 10 East  
Baytown, Texas 77522

Re: Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between Goose Creek Consolidated Independent School District and JSW Steel (USA) Inc., Application 1208

Dear Superintendent O'Brien:

This office has been provided with the Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between Goose Creek Consolidated Independent School District and JSW Steel (USA) Inc. (Agreement). As requested, the Agreement has been reviewed pursuant to 34 TAC 9.1055(e)(1).

Based on our review, this office concludes that the agreement complies with the provisions of Tax Code, Chapter 313 and 34 TAC Chapter 9, Subchapter F.

Should you have any questions, please contact Desiree Caufield with our office. She can be reached by email at [desiree.caufield@cpa.texas.gov](mailto:desiree.caufield@cpa.texas.gov) or by phone at 1-800-531-5441, ext. 6-8597, or at 512-936-8597.

Sincerely,

A handwritten signature in blue ink, reading "Will Counihan", is positioned below the word "Sincerely,".

Will Counihan  
Director  
Data Analysis & Transparency Division

cc: Sara Leon, Powell & Leon, LLP  
Joseph J. Matvey, JSW Steel (USA) Inc.  
Tam Vo, Grant Thornton LLP

**AGREEMENT FOR LIMITATION ON APPRAISED VALUE OF PROPERTY  
FOR SCHOOL DISTRICT MAINTENANCE AND OPERATIONS TAXES**

---

by and between

**GOOSE CREEK CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**

and

**JSW STEEL (USA) INC.**

(Texas Taxpayer ID # 32033679039)

Comptroller Application #1208

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Dated

March 22, 2018



impact evaluation and certificate for limitation on appraised value submitted by the Texas Comptroller's Office pursuant to Section 313.025 of the TEXAS TAX CODE;

**WHEREAS**, on March 22, 2018, the Board of Trustees conducted a public hearing on the Application at which it solicited input into its deliberations on the Application from all interested parties within the District;

**WHEREAS**, on March 22, 2018, the Board of Trustees made factual findings pursuant to Section 313.025(f) of the TEXAS TAX CODE, including, but not limited to findings that: (i) the information in the Application is true and correct; (ii) the Applicant is eligible for the limitation on appraised value of the Applicant's Qualified Property; (iii) the project proposed by the Applicant is reasonably likely to generate tax revenue in an amount sufficient to offset the District's maintenance and operations ad valorem tax revenue lost as a result of the Agreement before the 25th anniversary of the beginning of the limitation period; (iv) the limitation on appraised value is a determining factor in the Applicant's decision to invest capital and construct the project in this State; and (v) this Agreement is in the best interest of the District and the State of Texas;

**WHEREAS**, on March 21, 2017, the Texas Comptroller's Office approved the form of this Agreement for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes;

**WHEREAS**, on March 22, 2018, the Board of Trustees approved the form of this Agreement for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes, and authorized the Board President and Secretary to execute and deliver such Agreement to the Applicant; and

**NOW, THEREFORE**, for and in consideration of the premises and the mutual covenants and agreements herein contained, the Parties agree as follows:

## **ARTICLE I** **DEFINITIONS**

**Section 1.1 DEFINITIONS.** Wherever used in this Agreement, the following terms shall have the following meanings, unless the context in which used clearly indicates another meaning. Words or terms defined in 34 TEXAS ADMIN. CODE Section 9.1051 and not defined in this Agreement shall have the meanings provided by 34 TEXAS ADMIN. CODE Section 9.1051.

“Act” means the Texas Economic Development Act set forth in Chapter 313 of the TEXAS TAX CODE, as amended.

“Agreement” means this Agreement, as the same may be modified, amended, restated, amended and restated, or supplemented as approved pursuant to Sections 10.2 and 10.3.

“Applicant” means JSW Steel (USA) Inc. (Texas Taxpayer ID #32033679039), the entity listed in the Preamble of this Agreement and that is listed as the Applicant on the Application as of the Application Approval Date. The term “Applicant” shall also include the Applicant's assigns and

successors-in-interest as approved according to Sections 10.2 and 10.3 of this Agreement.

“Applicant’s Qualified Investment” means the Qualified Investment of the Applicant during the Qualifying Time Period and as more fully described in **EXHIBIT 3** of this Agreement.

“Applicant’s Qualified Property” means the Qualified Property of the Applicant to which the value limitation identified in the Agreement will apply and as more fully described in **EXHIBIT 4** of this Agreement.

“Application” means the Application for Appraised Value Limitation on Qualified Property (Chapter 313, Subchapter B or C of the TEXAS TAX CODE) filed with the District by the Applicant on May 31, 2017. The term includes all forms required by the Comptroller, the schedules attached thereto, and all other documentation submitted by the Applicant for the purpose of obtaining an Agreement with the District. The term also includes all amendments and supplements thereto submitted by the Applicant.

“Application Approval Date” means the date that the Application is approved by the Board of Trustees of the District and as further identified in Section 2.3.B of this Agreement.

“Application Review Start Date” means the later date of either the date on which the District issues its written notice that the Applicant has submitted a completed Application or the date on which the Comptroller issues its written notice that the Applicant has submitted a completed Application and as further identified in Section 2.3.A of this Agreement.

“Appraised Value” shall have the meaning assigned to such term in Section 1.04(8) of the TEXAS TAX CODE.

“Appraisal District” means the Chambers County Appraisal District.

“Board of Trustees” means the Board of Trustees of the Goose Creek Consolidated Independent School District.

“Commercial Operations” shall mean the date on which the Project described in the Application for Value Limitation Agreement becomes commercially operational and capable of being placed into service, such that it has been constructed and is capable of manufacturing prime metal slab and achieving a Qualified Investment of no less than \$100 million dollars.

“Comptroller” means the Texas Comptroller of Public Accounts, or the designated representative of the Texas Comptroller of Public Accounts acting on behalf of the Comptroller.

“Comptroller’s Rules” means the applicable rules and regulations of the Comptroller set forth in Chapter 34 TEXAS ADMIN. CODE Chapter 9, Subchapter F, together with any court or administrative decisions interpreting same.

“County” means Chambers County, Texas.

“District” or “School District” means the Goose Creek Consolidated Independent School District, being a duly authorized and operating school district in the State, having the power to levy, assess, and collect ad valorem taxes within its boundaries and to which Subchapter B of the Act applies. The term also includes any successor independent school district or other successor governmental authority having the power to levy and collect ad valorem taxes for school purposes on the Applicant’s Qualified Property or the Applicant’s Qualified Investment.

“Final Termination Date” means the last date of the final year in which the Applicant is required to Maintain Viable Presence and as further identified in Section 2.3.E of this Agreement.

“Force Majeure” means those causes generally recognized under Texas law as constituting force majeure. Each Party must inform the other in writing with proof of receipt within sixty (60) business days of the existence of such Force Majeure or otherwise waive this right as a defense.

“Land” means the real property described on **EXHIBIT 2**, which is attached hereto and incorporated herein by reference for all purposes.

“Maintain Viable Presence” means (i) the operation during the term of this Agreement of the facility or facilities for which the tax limitation is granted; and (ii) the Applicant’s maintenance of jobs and wages as required by the Act and as set forth in its Application.

“Market Value” shall have the meaning assigned to such term in Section 1.04(7) of the TEXAS TAX CODE.

“New Qualifying Jobs” means the total number of jobs to be created by the Applicant after the Application Approval Date in connection with the project that is the subject of its Application that meet the criteria of Qualifying Job as defined in Section 313.021(3) of the TEXAS TAX CODE and the Comptroller’s Rules.

“New Non-Qualifying Jobs” means the number of Non-Qualifying Jobs, as defined in 34 TEXAS ADMIN. CODE Section 9.1051(14), to be created by the Applicant after the Application Approval Date in connection with the project which is the subject of its Application.

“Qualified Investment” has the meaning set forth in Section 313.021(1) of the TEXAS TAX CODE, as interpreted by the Comptroller’s Rules.

“Qualified Property” has the meaning set forth in Section 313.021(2) of the TEXAS TAX CODE and as interpreted by the Comptroller’s Rules and the Texas Attorney General, as these provisions existed on the Application Review Start Date.

“Qualifying Time Period” means the period defined in Section 2.3.C, during which the Applicant shall make investment on the Land where the Qualified Property is located in the amount required by the Act, the Comptroller’s Rules, and this Agreement.

“State” means the State of Texas.

“Supplemental Payment” means any payments or transfers of things of value made to the District or to any person or persons in any form if such payment or transfer of thing of value being provided is in recognition of, anticipation of, or consideration for the Agreement and that is not authorized pursuant to Sections 313.027(f)(1) or (2) of the TEXAS TAX CODE, and specifically includes any payments required pursuant to Article VI of this Agreement.

“Tax Limitation Amount” means the maximum amount which may be placed as the Appraised Value on the Applicant’s Qualified Property for maintenance and operations tax assessment in each Tax Year of the Tax Limitation Period of this Agreement pursuant to Section 313.054 of the TEXAS TAX CODE.

“Tax Limitation Period” means the Tax Years for which the Applicant’s Qualified Property is subject to the Tax Limitation Amount and as further identified in Section 2.3.D of this Agreement.

“Tax Year” shall have the meaning assigned to such term in Section 1.04(13) of the TEXAS TAX CODE (*i.e.*, the calendar year).

“Taxable Value” shall have the meaning assigned to such term in Section 1.04(10) of the TEXAS TAX CODE.

**Section 1.2 NEGOTIATED DEFINITIONS.** Wherever used in Articles IV, V, and VI, the following terms shall have the following meanings, unless the context in which used clearly indicates another meaning or otherwise; provided however, if there is a conflict between a term defined in this section and a term defined in the Act, the Comptroller’s Rules, or Section 1.1 of Agreement, the conflict shall be resolved by reference to Section 10.9.C.

“Aggregate Limit” means, for any Tax Year during the term of this Agreement, an amount equal to the cumulative total of the Annual Limit amount for such Tax Year and all previous Tax Years during the term of this Agreement, less all amounts paid by the Applicant to the District under Article VI.

“Annual Limit” means the maximum annual benefit which can be paid directly to the District as a Supplemental Payment under the provisions of Texas Tax Code §313.027(i). For purposes of this Agreement, the amount of the Annual Limit shall be calculated for each year by multiplying the District’s Average Daily Attendance as calculated pursuant to Section 42.005 of the TEXAS EDUCATION CODE, for the school year immediately preceding each year for which the Annual Limit is calculated, rounded to the whole number by \$100, or any larger amount in Texas Tax Code §313.027(i), if such limit amount is increased for any future year of this Agreement. The Annual Limit shall first be computed for the first Tax Year (including partial Tax Year) the Qualifying Time Period is to commence shall be Tax Year 2019. The start of the Qualifying Time Period is set forth in Section 2.3(C)(i), below.

“Applicable School Finance Law” means the state laws, agency regulations and/or judicial rulings then controlling the public school finance system for Texas public schools generally and the District specifically at the time the computation, calculation or obligation of either party under this Agreement is performed.

“Applicant’s Stipulated Supplemental Payment Amount” means, for purposes of Article VI, for any

Tax Year during the term of this Agreement, an amount equal to forty percent (40%) of the “Net Tax Benefit” as such term is defined in this Section 1.2, for such Tax Year.

“Commencement Date” means January 1, 2019, the start of the Qualifying Time Period.

“Cumulative Payments” means for each year of this Agreement the total of all payments, calculated under Articles IV, V and VI of this Agreement for the current Tax Year which are paid by or owed by Applicant to the District, plus payments paid by Applicant to compensate District for loss of revenue under this Agreement.

“Lost M&O Revenue” means the reduction in Maintenance and Operations ad valorem tax revenue to the District caused by, resulting from, or on account of the execution of this Agreement for each year starting in the year of the Application Review Start Date and ending on the Final Termination Date of this Agreement.

“New M&O Revenue” means the total State and local Maintenance and Operations Revenue that District actually received for such school year.

“Net Tax Benefit” means an amount equal to (but not less than zero): (i) the amount of maintenance and operations ad valorem taxes which the Applicant would have paid to the District for all Tax Years during the term of this Agreement if this Agreement had not been entered into by the Parties; *minus*, (ii) an amount equal to the sum of (A) all maintenance and operations ad valorem school taxes actually due from the Applicant to the District or any other governmental entity, including the State of Texas, for all Tax Years during the term of this Agreement, plus (B) any and all payments due to the District under Articles IV, V, and VI of this Agreement.

“Original M&O Revenue” means the total State and local Maintenance and Operations Revenue that District would have received for the school year, under the Applicable School Finance Law for such Tax Year, had this Agreement not been entered into by the Parties and the Applicant’s Qualified Property been subject to the District’s full *ad valorem* maintenance & operations tax at the rate applicable for such tax year. For purposes of this calculation, the Third Party will base its calculations upon actual local taxable values for each applicable year as certified by the County Appraisal District for all other taxable accounts in the District, save and except for the Qualified Property subject to this Agreement, *plus* the total appraised value of the Qualified Property subject to this Agreement which is or would be used for the calculation of the District’s tax levy for debt tax purposes. For the calculation of Original M&O Revenue, the taxable value of Applicant’s Qualified Property for M&O purposes will not be used.

“Revenue Protection Amount” means the amount calculated pursuant to Section 4.2 of this Agreement.

## **ARTICLE II**

### **AUTHORITY, PURPOSE AND LIMITATION AMOUNTS**

**Section 2.1. AUTHORITY.** This Agreement is executed by the District as its written agreement with the Applicant pursuant to the provisions and authority granted to the District in Section 313.027 of the TEXAS TAX CODE.

**Section 2.2. PURPOSE.** In consideration of the execution and subsequent performance of the terms and obligations by the Applicant pursuant to this Agreement, identified in Sections 2.5 and 2.6 and as more fully specified in this Agreement, the value of the Applicant's Qualified Property listed and assessed by the County Appraiser for the District's maintenance and operation ad valorem property tax shall be the Tax Limitation Amount as set forth in Section 2.4 of this Agreement during the Tax Limitation Period.

**Section 2.3. TERM OF THE AGREEMENT.**

A. The Application Review Start Date for this Agreement is December 1, 2017, which will be used to determine the eligibility of the Applicant's Qualified Property and all applicable wage standards.

B. The Application Approval Date for this Agreement is March 22, 2018.

C. The Qualifying Time Period for this Agreement:

- i. Starts on, January 1, 2019.
- ii. Ends on December 31, 2020 the last day of the second complete Tax Year following the Qualifying Time Period start date.

D. The Tax Limitation Period for this Agreement:

- i. Starts on January 1, 2021 the first complete Tax Year that begins after the end of the Qualifying Time Period; and
- ii. Ends on December 31, 2030, which is the year the Tax Limitation Period starts as identified in Section 2.3.D.i plus 9 years.

E. The Final Termination Date for this Agreement is December 31, 2035.

F. This Agreement, and the obligations and responsibilities created by this Agreement, shall be and become effective on the Application Approval Date identified in Section 2.3.B. This Agreement, and the obligations and responsibilities created by this Agreement, terminate on the Final Termination Date identified in Section 2.3.E, unless extended by the express terms of this Agreement.

**Section 2.4. TAX LIMITATION.** So long as the Applicant makes the Qualified Investment as required by Section 2.5, during the Qualifying Time Period, and unless this Agreement has been terminated as provided herein before such Tax Year, on January 1 of each Tax Year of the Tax Limitation Period, the Appraised Value of the Applicant's Qualified Property for the District's maintenance and operations ad valorem tax purposes shall not exceed the lesser of:

A. the Market Value of the Applicant's Qualified Property; or

B. One Hundred Million Dollars (\$100,000,000).

This Tax Limitation Amount is based on the limitation amount for the category that applies to the District on the Application Approval Date, as set out by Section 313.022(b) of the TEXAS TAX

CODE.

**Section 2.5. TAX LIMITATION ELIGIBILITY.** In order to be eligible and entitled to receive the value limitation identified in Section 2.4 for the Qualified Property identified in Article III, the Applicant shall:

A. Have completed the Applicant's Qualified Investment in the amount of \$100,000,000 during the Qualifying Time Period;

B. Have created and maintained, subject to the provisions of Section 313.0276 of the TEXAS TAX CODE, New Qualifying Jobs as required by the Act; and

C. Pay an average weekly wage of at least \$1,204.25 for all New Non-Qualifying Jobs created by the Applicant.

**Section 2.6. TAX LIMITATION OBLIGATIONS.** In order to receive and maintain the limitation authorized by Section 2.4, Applicant shall:

A. Provide payments to District sufficient to protect future District revenues through payment of revenue offsets and other mechanisms as more fully described in Article IV;

B. Provide payments to the District that protect the District from the payment of extraordinary education-related expenses related to the project, as more fully specified in Article V;

C. Provide such Supplemental Payments as more fully specified in Article VI;

D. Create and Maintain Viable Presence on or with the Qualified Property and perform additional obligations as more fully specified in Article VIII of this Agreement; and

E. No additional conditions are identified in the certificate for a limitation on appraised value by the Comptroller for this project.

### **ARTICLE III QUALIFIED PROPERTY**

**Section 3.1. LOCATION WITHIN ENTERPRISE OR REINVESTMENT ZONE.** At the time of the Application Approval Date, the Land is within an area designated either as an enterprise zone, pursuant to Chapter 2303 of the TEXAS GOVERNMENT CODE, or a reinvestment zone, pursuant to Chapter 311 or 312 of the TEXAS TAX CODE. The legal description, and information concerning the designation, of such zone is attached to this Agreement as **EXHIBIT 1** and is incorporated herein by reference for all purposes.

**Section 3.2. LOCATION OF QUALIFIED PROPERTY AND INVESTMENT.** The Land on which the Qualified Property shall be located and on which the Qualified Investment shall be made is described in **EXHIBIT 2**, which is attached hereto and incorporated herein by reference for all

purposes. The Parties expressly agree that the boundaries of the Land may not be materially changed from its configuration described in **EXHIBIT 2** unless amended pursuant to the provisions of Section 10.2 of this Agreement.

**Section 3.3. DESCRIPTION OF QUALIFIED PROPERTY.** The Qualified Property that is subject to the Tax Limitation Amount is described in **EXHIBIT 4**, which is attached hereto and incorporated herein by reference for all purposes. Property which is not specifically described in **EXHIBIT 4** shall not be considered by the District or the Appraisal District to be part of the Applicant's Qualified Property for purposes of this Agreement, unless by official action the Board of Trustees provides that such other property is a part of the Applicant's Qualified Property for purposes of this Agreement in compliance with Section 313.027(e) of the TEXAS TAX CODE, the Comptroller's Rules, and Section 10.2 of this Agreement.

**Section 3.4. CURRENT INVENTORY OF QUALIFIED PROPERTY.** In addition to the requirements of Section 10.2 of this Agreement, if there is a material change in the Qualified Property described in **EXHIBIT 4**, then within 60 days from the date commercial operation begins, the Applicant shall provide to the District, the Comptroller, the Appraisal District or the State Auditor's Office a specific and detailed description of the tangible personal property, buildings, and/or permanent, nonremovable building components (including any affixed to or incorporated into real property) on the Land to which the value limitation applies including maps or surveys of sufficient detail and description to locate all such described property on the Land.

**Section 3.5. QUALIFYING USE.** The Applicant's Qualified Property described in Section 3.3 qualifies for a tax limitation agreement under Section 313.024 (b)(1) of the TEXAS TAX CODE as property used for manufacturing.

#### **ARTICLE IV**

#### **PROTECTION AGAINST LOSS OF FUTURE DISTRICT REVENUES**

**Section 4.1. INTENT OF THE PARTIES.** Subject only to the limitations contained in Section 7.1 of this Agreement, it is the intent of the Parties that the District shall, in accordance with the provisions of Section 313.027(f)(1) of the TEXAS TAX CODE, be compensated by Applicant for any Lost M&O Revenue in each year of this Agreement for which this Agreement was the producing cause, after taking into account any payments to be made under this Agreement. Such payments shall be independent of, and in addition to such other payments as set forth in Article V and Article VI in this Agreement. Subject only to the limitations contained in this Agreement, including Section 7.1, **it is the intent of the Parties that the risk of any and all Lost M&O Revenue, for which this Agreement was the producing cause, will be borne solely by Applicant and not by District.**

The calculation of any Lost M&O Revenue required to be paid by the Applicant under this Article IV shall be made for the first time for the first complete Tax Year following the start of Commercial Operations, and every year thereafter during the term of this Agreement.

Within 60 days from the date Commercial Operations begin, the Applicant shall provide to the District, the Comptroller, and the Appraisal District a verified written report, giving a specific and detailed

description of the land, tangible personal property, buildings, or permanent, nonremovable building components (including any affixed to or incorporated into real property) to which the value limitation applies including maps or surveys of sufficient detail and description to locate all such Qualified Property within the boundaries of the land which is subject to the Agreement, if such final description is different than the description provided in the Application or any supplemental application information, or if no substantial changes have been made, a verification of the fact that no substantial changes have been made.

The Parties further agree that the school finance report and projected revenue protection payment amounts produced during the negotiations and approval of this Agreement are:

- i. For illustrative purposes only, are not intended to be relied upon, and have not been relied upon by the Parties as a prediction of future consequences to either Party;
- ii. Are based upon current Applicable School Finance Law, which is subject to change by statute, by administrative regulation, or by judicial decision at any time; and,
- iii. May change in future years to reflect changes in the Applicable School Finance Law.

**Section 4.2. CALCULATING THE LOST M&O REVENUE BY THE DISTRICT.** Subject only to the provisions of Section 7.1 of this Agreement, the amount to be paid by the Applicant to compensate the District for Lost M&O Revenue for each year starting in the year of the Application Review Start Date and ending on the Final Termination Date shall be determined in compliance with the Applicable School Finance Law in effect for such year and according to the following formula: The Lost M&O Revenue owed by the Applicant to District means the Original M&O Revenue *minus* the New M&O Revenue. In making the calculations required by this Section 4.2:

- i. The Taxable Value of property for each school year will be determined under the Applicable School Finance Law as that law exists for each year for which the calculation is made.
- ii. For purposes of this calculation, the tax collection rate on the Applicant's Qualified Property will be presumed to be one hundred percent (100%).
- iii. If, for any year of this Agreement, the difference between the Original M&O Revenue and the New M&O Revenue, as calculated under this Section 4.2 of this Agreement, results in a negative number, the negative number will be considered to be zero.
- iv. For all calculations made for years during the Tax Limitation Period under Section 4.2 of this Agreement, Subsection *ii* of this subsection will reflect the Tax Limitation Amount for such year.
- v. All calculations under this Section 4.2 shall be made by a methodology which isolates the full M&O Revenue impact caused by this Agreement. The Applicant shall not be responsible to reimburse the District for other revenue losses created by other agreements, or on account of or otherwise arising out of any other factors not contained

in this Agreement.

**Section 4.3. CALCULATIONS TO BE MADE BY THIRD PARTY.** All calculations under this Agreement shall be made annually by an independent third party (the “Third Party”) selected each year by the District, with the consent of the Applicant. In the event the Applicant and the District cannot agree upon a Third Party, the Parties will participate in mediation as provided in Section 9.3 of this Agreement. In addition to the amounts determined pursuant to Section 4.2 above, the Applicant, on an annual basis, shall also indemnify and reimburse the District for the following: Any other reasonable and necessary costs to the District, including costs under Subsection 8.6(C), below, which are or may be attributable to compliance with State-imposed costs of compliance with the terms of this Agreement.

**Section 4.4. DATA USED FOR CALCULATIONS.** The calculations for payments under this Agreement shall be initially based upon the valuations placed upon the Applicant’s Qualified Investment and/or the Applicant’s Qualified Property by the Appraisal District in its annual certified appraisal roll submitted to the District for each Tax Year pursuant to Texas Tax Code § 26.01 on or about July 25 of each year of this Agreement. Immediately upon receipt of the valuation information by the District, the District shall submit the valuation information to the Third Party selected under Section 4.3. The certified appraisal roll data shall form the basis of the calculation of any and all amounts due under this Agreement. All other data utilized by the Third Party to make the calculations contemplated by this Agreement shall be based upon the best available current estimates. The data utilized by the Third Party shall be adjusted from time to time by the Third Party to reflect actual amounts, subsequent adjustments by the Appraisal District to the District’s certified appraisal roll or any other changes in student counts, tax collections, or other data.

**Section 4.5. DELIVERY OF CALCULATIONS.** On or before November 1 of each year for which this Agreement is effective, the Third Party shall forward to the Parties a certification containing the calculations required under Articles IV, V, VI, and/or Section 7.1 of this Agreement in sufficient detail to allow the Parties to understand the manner in which the calculations were made. The Third Party shall simultaneously submit his, her or its invoice for fees for services rendered to the Parties, if any fees are being claimed, which fee shall be the sole responsibility of the District, but subject to the provisions of Section 4.6, below. Upon reasonable prior notice, the employees and agents of the Applicant shall have access, at all reasonable times, to the Third Party’s calculations, records, and correspondence pertaining to the calculation and fee for the purpose of verification. The Third Party shall maintain supporting data consistent with generally accepted accounting practices, and the employees and agents of the Applicant shall have the right to reproduce and retain for purpose of audit, any of these documents. The Third Party shall preserve all documents pertaining to the calculation until the Final Termination Date of this Agreement. The Applicant shall not be liable for any of the Third Party’s costs resulting from an audit of the Third Party’s books, records, correspondence, or work papers pertaining to the calculations contemplated by this Agreement.

**Section 4.6. PAYMENT BY APPLICANT.** The Applicant shall pay any amount determined by the Third Party to be due and owing to the District under this Agreement on or before the January 31 next following the tax levy for each year for which this Agreement is effective. By such date, the Applicant shall also pay any amount billed by the Third Party, plus any reasonable and necessary legal expenses paid by the District to its attorneys, auditors, or financial consultants for the preparation and filing of any financial reports, disclosures, or other reimbursement applications filed with or sent to the State of Texas, for any audits

conducted by the State Auditor's Office, which are, or may be required under the terms or because of the execution of this Agreement.

For no Tax Year during the term of this Agreement shall the Applicant be responsible for the payment of fees and expenses under this Section 4.6 that exceeds the necessary and reasonable costs incurred by the District for compliance with this Agreement. In any year in which such compliance is anticipated to exceed an aggregate amount of Fifteen Thousand Dollars (\$15,000) per year, the District shall provide the Applicant with prior written notice given by July 31 of the anticipated annual aggregate amount the District anticipates it will incur, and if the Applicant disagrees that such fees are necessary and reasonable, the Parties may resolve such dispute as provided in Section 4.7.

**Section 4.7. RESOLUTION OF DISPUTES.** Should the Applicant disagree with the Third Party calculations made pursuant to Article 4 of this Agreement, the Applicant may appeal the findings, in writing, to the Third Party within thirty (30) days of receipt of the calculation. Within thirty (30) days of receipt of the Applicant's appeal, the Third Party shall issue, in writing, a final determination of the calculations. Thereafter, the Applicant may appeal the final determination of the certification containing the calculations to the District's Board of Trustees. Any appeal by the Applicant of the final determination of the certified calculations of the Third Party may be made, in writing, to the District's Board of Trustees within thirty (30) days of the final determination of the calculations. Pursuant to Sections 4.3, 4.4 and 4.5 of this Agreement, should the Applicant disagree with the certification containing the calculations, the Applicant may appeal the findings, in writing, to the Third Party within thirty (30) days following the later of (i) receipt of the certification or, (ii) the date the Applicant is granted access to the books, records, and other information in accordance with Section 4.5 for purposes of auditing or reviewing the information in connection with the certification. Within ten (10) days of receipt of the Applicant's appeal, the Third Party will issue, in writing, a final determination of the certification containing the calculations. Thereafter, the Applicant may appeal the final determination of certification containing the calculations to the District's Board of Trustees. Any such appeal by the Applicant of the final determination of the Third Party may be made, in writing, to the District's Board of Trustees within thirty (30) days of the Applicant's receipt of the Third Party's final determination of certification containing the calculations, and shall be without limitation of the Applicant's other rights and remedies available hereunder, at law or in equity.

**Section 4.8. EFFECT OF PROPERTY VALUE APPEAL OR OTHER ADJUSTMENT.** If at the time the Third Party selected under Section 4.3 makes its calculations under this Agreement, the Applicant has appealed any matter relating to the valuations placed by the Appraisal District on the Applicant's Qualified Property, and/or the Applicant's Qualified Property and such appeal remains unresolved, the Third Party shall base its calculations upon the values placed upon the Applicant's Qualified Property and/or the Applicant's Qualified Property by the Appraisal District.

If as a result of an appeal or for any other reason, the Taxable Value of the Applicant's Qualified Investment and/or the Applicant's Qualified Property is changed, once the determination of the new Taxable Value becomes final, the Parties shall immediately notify the Third Party who shall immediately issue new calculations for the applicable year or years using the new Taxable Value. In the event the new calculations result in a change in any amount paid or payable by the Applicant under this Agreement, the Party from whom the adjustment is payable shall remit such amounts to the other Party within thirty (30) days of the receipt of the new calculations from the Third Party.

**Section 4.9. CUMULATIVE PAYMENT LIMITATION.** Notwithstanding any other provision in this Agreement, in no event shall the Cumulative Payments calculated for a Tax Year of this Agreement during the period from the Tax Year that includes the date on which the Qualifying Time Period commences under this Agreement as provided in Section 2.3.C.i, and ending with the first Tax Year following the end of the Tax Limitation Period, exceed an amount equal to One Hundred Percent (100%) of the Applicant's Cumulative Unadjusted Tax Benefit for such Tax Year. For each Tax Year of this Agreement, amounts otherwise due and owing by the Applicant to the District which, by virtue of the application of the payment limitation set forth in this Section 4.9, are not payable to the District for such Tax Year, shall be carried forward from year-to-year into subsequent Tax Years during the term of this Agreement, but shall be subject, in each subsequent Tax Year, to the limit set forth in this Section 4.10. Any of the Cumulative Payments which cannot be paid to the District prior to the end of the first Tax Year following the end of the Tax Limitation Period because such payment would exceed the Applicant's Cumulative Unadjusted Tax Benefit under this Agreement will be deemed to have been cancelled by operation of law, and the Applicant shall have no further obligation with respect thereto.

**ARTICLE V**  
**PAYMENT OF EXTRAORDINARY EDUCATION-RELATED EXPENSES**

**Section 5.1. EXTRAORDINARY EXPENSES.** In addition to the amounts determined pursuant to Section 4.2 of this Agreement above, Applicant on an annual basis shall also indemnify and reimburse District for all non-reimbursed costs, certified by District's external auditor to have been incurred by District for extraordinary education-related expenses related to the project that are not directly funded in state aid formulas, including expenses for the purchase of portable classrooms and the hiring of additional personnel to accommodate a temporary increase in student enrollment attributable to the project.

**ARTICLE VI**  
**SUPPLEMENTAL PAYMENTS**

**Section 6.1. INTENT OF PARTIES WITH RESPECT TO SUPPLEMENTAL PAYMENTS.**

(a) Amounts Exclusive of Article IV and Article V Payments

In addition to undertaking the responsibility for the payment of all of the amounts set forth under Articles IV and V, and as further consideration for the execution of this Agreement by the District, the Applicant shall also be responsible for the supplemental payments set forth in this Article VI, (the "Supplemental Payments"). The Applicant shall not be responsible to the District or to any other person or persons in any form for the payment or transfer of money or any other thing of value in recognition of, anticipation of, or consideration for this Agreement for limitation on appraised value made pursuant to Chapter 313, Texas Tax Code, unless it is explicitly set forth in this Agreement. It is the express intent of the Parties that the Applicant's obligation to make Supplemental Payments under this Article VI is separate and independent of the obligation of the Applicant to pay the amounts described in Articles IV and V; provided, however, that all payments under Articles IV and V are subject to the limitations contained in Section 7.1, and that all payments under this Article VI are subject to the separate limitations contained in Section 6.2.

(b) Adherence to Statutory Limits on Supplemental Payments

It is the express intent of the Parties that any Supplemental Payments made to or on behalf of the District by the Applicant under this Article VI shall not exceed the limit imposed by the provisions of Texas Tax Code §313.027(i), as such limit is allowed to be increased by the Legislature for any future year of this Agreement.

**Section 6.2. SUPPLEMENTAL PAYMENT LIMITATION.** Notwithstanding the foregoing:

A. The total of the Supplemental Payments made pursuant to this Article shall not exceed for any calendar year of this Agreement an amount equal to the greater of One Hundred Dollars (\$100.00) per student per year in average daily attendance, as defined by Section 42.005 of the TEXAS EDUCATION CODE, or Fifty Thousand Dollars (\$50,000.00) per year times the number of years beginning with the first complete or partial year of the Qualifying Time Period identified in Section 2.3.C and ending with the year for which the Supplemental Payment is being calculated minus all Supplemental Payments previously made by the Applicant;

B. Supplemental Payments may only be made during the period starting January 1, 2019, and ending December 31 of the third year following the end of the Tax Limitation Period:

C. The limitation in Section 6.2.A does not apply to amounts described by Section 313.027(f)(1)–(2) of the TEXAS TAX CODE as implemented in Articles IV and V of this Agreement; and

D. For purposes of this Agreement, the calculation of the limit of the annual Supplemental Payment shall be the greater of \$50,000 or \$100 multiplied by the District's Average Daily Attendance as calculated pursuant to Section 42.005 of the TEXAS EDUCATION CODE, based upon the District's Average Daily Attendance for the previous school year, or any greater amount that may be then permitted by law.

**Section 6.3. STIPULATED SUPPLEMENTAL PAYMENT AMOUNT-SUBJECT TO AGGREGATE LIMIT.** In addition to the Supplemental Payment limitation set forth in Section 6.2 of this Agreement, during the term of this Agreement, the District shall not be entitled to receive Supplemental Payments that exceed the lesser of:

- A. The "Applicant's Stipulated Supplemental Payment Amount," as such term is defined in Section 1.2, above; or
- B. The "Aggregate Limit" as such term is defined in Section 1.2, above.

**Section 6.4. CALCULATION OF ANNUAL SUPPLEMENTAL PAYMENTS TO THE DISTRICT AND APPLICATION OF AGGREGATE LIMIT.** The Parties agree that for each Tax Year during the term of this Agreement beginning with the Commencement Date, the Applicant's Stipulated Supplemental Payment Amount, as defined in Section 6.3, will annually be calculated based upon the then most current estimate of tax savings to the Applicant, which will be made, based upon assumptions of student counts, tax collections, and other applicable data, in accordance with the following formula:

Taxable Value of the Applicant's Qualified Property for such Tax Year had this

Agreement not been entered into by the Parties (i.e., the Taxable Value of the Applicant's Qualified Property used for the District's interest and sinking fund tax purposes for such Tax Year, or school taxes due to any other governmental entity, including the State of Texas, for such Tax Year);

*Minus,*

The Taxable Value of the Applicant's Qualified Property for such Tax Year after giving effect to this Agreement (i.e., the Taxable Value of the Applicant's Qualified Property used for the District's maintenance and operations tax purposes for such Tax Year, or school taxes due to any other governmental entity, including the State of Texas, for such Tax Year);

*Multiplied by,*

The District's maintenance and operations tax rate for such Tax Year, or the school tax rate of any other governmental entity, including the State of Texas, for such Tax Year;

*Minus,*

Any amounts previously paid to the District under Article IV;

*Multiplied by,*

The number 0.40;

*Minus,*

Any amounts previously paid to the District under Sections 6.2 and/or 6.3 with respect to such Tax Year.

In the event that there are changes in the data upon which the calculations set forth herein are made, the Third Party described in Section 4.3 above shall adjust the Applicant's Stipulated Supplemental Payment Amount calculation to reflect such changes in the data.

For each Tax Year during the term of this Agreement beginning the Commencement Date and continuing thereafter through the third full Tax Year following the end of the Tax Limitation Period defined in Section 2.3(D)(ii) (Tax Year 2017), the District, or its successor beneficiary should one be designated under Section 6.5 below shall not be entitled to receive Supplemental Payments, computed under Sections 6.2 and 6.3 above, that exceeds the Aggregate Limit.

If, for any Tax Year during the term of this Agreement the amount of the Applicant's Supplemental Payment Amount, calculated under Section 6.2 above for such Tax Year, exceeds the Aggregate Limit for such Tax Year, the difference between the Applicant's Supplemental Payment Amount so calculated and the Aggregate Limit for such Tax Year, shall be carried forward from year-to-

year into subsequent Tax Years during the term of this Agreement, and to the extent not limited by the Aggregate Limit in any subsequent Tax Year during the term of this Agreement, shall be paid to the District. If there are changes in Chapter 313 of the Texas Tax Code that increase or decrease the limit on the amount of the Supplemental Payments that may be made to or on behalf of the District by the Applicant under this Article IV, any higher or lower amount of Supplemental Payments that first became due hereunder prior to the effective date of any such statutory change will not be adjusted.

**Section 6.4. PROCEDURES FOR SUPPLEMENTAL PAYMENT CALCULATIONS.** All calculations required by this Article VI, including but not limited to: (i) the calculation of the Applicant's Stipulated Supplemental Payment Amount; (ii) the determination of both the Annual Limit and the Aggregate Limit; (iii) the effect, if any, of the Aggregate Limit upon the actual amount of Supplemental Payments eligible to be paid to the District by the Applicant; and (iv) the carry forward and accumulation of any of the Applicant's Stipulated Supplemental Payment Amounts unpaid by the Applicant due to the Aggregate Limit in previous years, shall be calculated by the Third Party selected pursuant to Section 4.3.

- (a) The calculations made by the Third Party shall be made at the same time and on the same schedule as the calculations made pursuant to Section 4.5.
- (b) The payment of all amounts due under this Article VI shall be made at the time set forth in Section 4.6.
- (c) Any appeal by the Applicant of the calculations made by the Third Party under this Article VI shall be done in the same manner as set forth in Section 4.7, above.

## **ARTICLE VII**

### **ANNUAL LIMITATION OF PAYMENTS BY APPLICANT**

**Section 7.1. ANNUAL LIMITATION.** Notwithstanding anything contained in this Agreement to the contrary, and with respect to each Tax Year of the Tax Limitation Period beginning after the first Tax Year of the Tax Limitation Period, in no event shall (i) the sum of the maintenance and operations ad valorem taxes paid by the Applicant to the District for such Tax Year, plus the sum of all payments otherwise due from the Applicant to the District under Articles IV, V, and VI of this Agreement with respect to such Tax Year, exceed (ii) the amount of the maintenance and operations ad valorem taxes that the Applicant would have paid to the District for such Tax Year (determined by using the District's actual maintenance and operations tax rate for such Tax Year) if the Parties had not entered into this Agreement. The calculation and comparison of the amounts described in clauses (i) and (ii) of the preceding sentence shall be included in all calculations made pursuant to Article IV of this Agreement, and in the event the sum of the amounts described in said clause (i) exceeds the amount described in said clause (ii), then the payments otherwise due from the Applicant to the District under Articles IV, V, and VI shall be reduced until such excess is eliminated.

**Section 7.2. OPTION TO TERMINATE AGREEMENT.** In the event that any payment otherwise due from the Applicant to the District under Article IV, Article V, or Article VI of this Agreement with respect to a Tax Year is subject to reduction in accordance with the provisions of Section 7.1, then the Applicant shall have the option to terminate this Agreement. The Applicant may

exercise such option to terminate this Agreement by notifying the District of its election in writing not later than the July 31 of the year following the Tax Year with respect to which a reduction under Section 7.1 is applicable. Any termination of this Agreement under the foregoing provisions of this Section 7.2 shall be effective immediately prior to the second Tax Year next following the Tax Year in which the reduction giving rise to the option occurred.

**Section 7.3. EFFECT OF OPTIONAL TERMINATION.** Upon the exercise of the option to terminate pursuant to Section 7.2, this Agreement shall terminate and be of no further force or effect; provided, however, that:

A. the Parties respective rights and obligations under this Agreement with respect to the Tax Year or Tax Years (as the case may be) through and including the Tax Year during which such notification is delivered to the District, shall not be impaired or modified as a result of such termination and shall survive such termination unless and until satisfied and discharged; and

B. the provisions of this Agreement regarding payments (including liquidated damages and tax payments), records and dispute resolution shall survive the termination or expiration of this Agreement.

## **ARTICLE VIII**

### **ADDITIONAL OBLIGATIONS OF APPLICANT**

**Section 8.1. APPLICANT'S OBLIGATION TO MAINTAIN VIABLE PRESENCE.** In order to receive and maintain the limitation authorized by Section 2.4 in addition to the other obligations required by this Agreement, the Applicant shall Maintain Viable Presence in the District commencing at the start of the Tax Limitation Period through the Final Termination Date of this Agreement. Notwithstanding anything contained in this Agreement to the contrary, the Applicant shall not be in breach of, and shall not be subject to any liability for failure to Maintain Viable Presence to the extent such failure is caused by Force Majeure, provided the Applicant makes commercially reasonable efforts to remedy the cause of such Force Majeure.

**Section 8.2. REPORTS.** In order to receive and maintain the limitation authorized by Section 2.4 in addition to the other obligations required by this Agreement, the Applicant shall submit all reports required from time to time by the Comptroller, listed in 34 TEXAS ADMIN. CODE Section 9.1052 and as currently located on the Comptroller's website, including all data elements required by such form to the satisfaction of the Comptroller on the dates indicated on the form or the Comptroller's website and starting on the first such due date after the Application Approval Date.

**Section 8.3. COMPTROLLER'S REPORT ON CHAPTER 313 AGREEMENTS.** During the term of this Agreement, both Parties shall provide the Comptroller with all information reasonably necessary for the Comptroller to assess performance under this Agreement for the purpose of issuing the Comptroller's report, as required by Section 313.032 of the TEXAS TAX CODE.

**Section 8.4. DATA REQUESTS.** Upon the written request of the District, the State Auditor's Office, the Appraisal District, or the Comptroller during the term of this Agreement, the Applicant, the District or any other entity on behalf of the District shall provide the requesting party with all information

reasonably necessary for the requesting party to determine whether the Applicant is in compliance with its rights, obligations or responsibilities, including, but not limited to, any employment obligations which may arise under this Agreement.

**Section 8.5. SITE VISITS AND RECORD REVIEW.** The Applicant shall allow authorized employees of the District, the Comptroller, the Appraisal District, and the State Auditor's Office to have reasonable access to the Applicant's Qualified Property and business records from the Application Review Start Date through the Final Termination Date, in order to inspect the project to determine compliance with the terms hereof or as necessary to properly appraise the Taxable Value of the Applicant's Qualified Property.

A. All inspections will be made at a mutually agreeable time after the giving of not less than forty-eight (48) hours prior written notice, and will be conducted in such a manner so as not to unreasonably interfere with either the construction or operation of the Applicant's Qualified Property.

B. All inspections may be accompanied by one or more representatives of the Applicant, and shall be conducted in accordance with the Applicant's safety, security, and operational standards. Notwithstanding the foregoing, nothing contained in this Agreement shall require the Applicant to provide the District, the Comptroller, or the Appraisal District with any technical or business information that is proprietary, a trade secret, or is subject to a confidentiality agreement with any third party.

**Section 8.6. RIGHT TO AUDIT; SUPPORTING DOCUMENTS; AUTHORITY OF STATE AUDITOR.** By executing this Agreement, implementing the authority of, and accepting the benefits provided by Chapter 313 of the TEXAS TAX CODE, the Parties agree that this Agreement and their performance pursuant to its terms are subject to review and audit by the State Auditor as if they are parties to a State contract and subject to the provisions of Section 2262.154 of the TEXAS GOVERNMENT CODE and Section 313.010(a) of the TEXAS TAX CODE. The Parties further agree to comply with the following requirements:

A. The District and the Applicant shall maintain and retain supporting documents adequate to ensure that claims for the Tax Limitation Amount are in accordance with applicable Comptroller and State of Texas requirements. The Applicant and the District shall maintain all such documents and other records relating to this Agreement and the State's property for a period of four (4) years after the latest occurring date of:

- i. Date of submission of the final payment;
- ii. Final Termination Date; or
- iii. Date of resolution of all disputes or payment.

B. During the time period defined under Section 8.6.A, the District and the Applicant shall make available at reasonable times and upon reasonable notice, and for reasonable periods, all information related to this Agreement; the Applicant's Application; and the Applicant's Qualified Property, Qualified Investment, New Qualifying Jobs, and wages paid for New Non- Qualifying Jobs such as work papers, reports, books, data, files, software, records, calculations, spreadsheets and other

supporting documents pertaining to this Agreement, for purposes of inspecting, monitoring, auditing, or evaluating by the Comptroller, State Auditor's Office, State of Texas or their authorized representatives. The Applicant and the District shall cooperate with auditors and other authorized Comptroller and State of Texas representatives and shall provide them with prompt access to all of such property as requested by the Comptroller or the State of Texas. By example and not as an exclusion to other breaches or failures, the Applicant's or the District's failure to comply with this Section shall constitute a Material Breach of this Agreement.

C. In addition to and without limitation on the other audit provisions of this Agreement, the acceptance of tax benefits or funds by the Applicant or the District or any other entity or person directly under this Agreement acts as acceptance of the authority of the State Auditor, under the direction of the legislative audit committee, to conduct an audit or investigation in connection with those funds. Under the direction of the legislative audit committee, the Applicant or the District or other entity that is the subject of an audit or investigation by the State Auditor must provide the State Auditor with access to any information the State Auditor considers relevant to the investigation or audit. The Parties agree that this Agreement shall for its duration be subject to all rules and procedures of the State Auditor acting under the direction of the legislative audit committee.

D. The Applicant shall include the requirements of this Section 8.6 in its subcontract with any entity whose employees or subcontractors are subject to wage requirements under the Act, the Comptroller's Rules, or this Agreement, or any entity whose employees or subcontractors are included in the Applicant's compliance with job creation or wage standard requirement of the Act, the Comptroller's Rules, or this Agreement.

**Section 8.7. FALSE STATEMENTS; BREACH OF REPRESENTATIONS.** The Parties acknowledge that this Agreement has been negotiated, and is being executed, in reliance upon the information contained in the Application, and any supplements or amendments thereto, without which the Comptroller would not have approved this Agreement and the District would not have executed this Agreement. By signature to this Agreement, the Applicant:

A. represents and warrants that all information, facts, and representations contained in the Application are true and correct to the best of its knowledge;

B. agrees and acknowledges that the Application and all related attachments and schedules are included by reference in this Agreement as if fully set forth herein; and

C. acknowledges that if the Applicant submitted its Application with a false statement, signs this Agreement with a false statement, or submits a report with a false statement, or it is subsequently determined that the Applicant has violated any of the representations, warranties, guarantees, certifications, or affirmations included in the Application or this Agreement, the Applicant shall have materially breached this Agreement and the Agreement shall be invalid and void except for the enforcement of the provisions required by Section 9.2 of this Agreement.

## **ARTICLE IX**

### **MATERIAL BREACH OR EARLY TERMINATION**

**Section 9.1. EVENTS CONSTITUTING MATERIAL BREACH OF AGREEMENT.** The Applicant shall be in Material Breach of this Agreement if it commits one or more of the following acts or omissions (each a “Material Breach”):

A. The Application, any Application Supplement, or any Application Amendment on which this Agreement is approved is determined to be inaccurate as to any material representation, information, or fact or is not complete as to any material fact or representation or such application;

B. The Applicant failed to complete Qualified Investment as required by Section 2.5.A. of this Agreement during the Qualifying Time Period;

C. The Applicant failed to create and maintain the number of New Qualifying Jobs required by the Act;

D. The Applicant failed to create and maintain the number of New Qualifying Jobs specified in Schedule C of the Application;

E. The Applicant failed to pay at least the average weekly wage of all jobs in the county in which the jobs are located for all New Non-Qualifying Jobs created by the Applicant;

F. The Applicant failed to provide payments to the District sufficient to protect future District revenues through payment of revenue offsets and other mechanisms as more fully described in Article IV of this Agreement;

G. The Applicant failed to provide the payments to the District that protect the District from the payment of extraordinary education-related expenses related to the project to the extent and in the amounts that the Applicant agreed to provide such payments in Article V of this Agreement;

H. The Applicant failed to provide the Supplemental Payments to the extent and in the amounts that the Applicant agreed to provide such Supplemental Payments in Article VI of this Agreement;

I. The Applicant failed to create and Maintain Viable Presence on or with the Qualified Property as more fully specified in Article VIII of this Agreement;

J. The Applicant failed to submit the reports required to be submitted by Section 8.2 to the satisfaction of the Comptroller;

K. The Applicant failed to provide the District or the Comptroller with all information reasonably necessary for the District or the Comptroller to determine whether the Applicant is in compliance with its obligations, including, but not limited to, any employment obligations which may arise under this Agreement;

L. The Applicant failed to allow authorized employees of the District, the Comptroller, the

Appraisal District, or the State Auditor's Office to have access to the Applicant's Qualified Property or business records in order to inspect the project to determine compliance with the terms hereof or as necessary to properly appraise the Taxable Value of the Applicant's Qualified Property under Sections 8.5 and 8.6;

M. The Applicant failed to comply with a request by the State Auditor's office to review and audit the Applicant's compliance with this Agreement;

N. The Applicant has made any payments to the District or to any other person or persons in any form for the payment or transfer of money or any other thing of value in recognition of, anticipation of, or consideration for this Agreement for limitation on Appraised Value made pursuant to Chapter 313 of the TEXAS TAX CODE, in excess of the amounts set forth in Articles IV, V and VI of this Agreement; or

O. The Applicant failed to comply with the conditions included in the certificate for limitation issued by the Comptroller.

## **Section 9.2. DETERMINATION OF BREACH AND TERMINATION OF AGREEMENT.**

A. Prior to making a determination that the Applicant has failed to comply in any material respect with the terms of this Agreement or to meet any material obligation under this Agreement, the District shall provide the Applicant with a written notice of the facts which it believes have caused the breach of this Agreement, and if cure is possible, the cure proposed by the District. After receipt of the notice, the Applicant shall be given ninety (90) days to present any facts or arguments to the Board of Trustees showing that it is not in breach of its obligations under this Agreement, or that it has cured or undertaken to cure any such breach.

B. If the Board of Trustees is not satisfied with such response or that such breach has been cured, then the Board of Trustees shall, after reasonable notice to the Applicant, conduct a hearing called and held for the purpose of determining whether such breach has occurred and, if so, whether such breach has been cured. At any such hearing, the Applicant shall have the opportunity, together with their counsel, to be heard before the Board of Trustees. At the hearing, the Board of Trustees shall make findings as to:

- i. whether or not a breach of this Agreement has occurred;
- ii. whether or not such breach is a Material Breach;
- iii. the date such breach occurred, if any;
- iv. whether or not any such breach has been cured; and

C. In the event that the Board of Trustees determines that such a breach has occurred and has not been cured, it shall at that time determine:

- i. the amount of recapture taxes under Section 9.4.C (net of all credits under Section 9.4.C);
- ii. the amount of any penalty or interest under Section 9.4.E that are owed to the

District; and

iii. in the event of a finding of a Material Breach, whether to terminate this Agreement.

D. After making its determination regarding any alleged breach, the Board of Trustees shall cause the Applicant to be notified in writing of its determination (a “Determination of Breach and Notice of Contract Termination”) and provide a copy to the Comptroller.

### **Section 9.3. DISPUTE RESOLUTION.**

A. After receipt of notice of the Board of Trustee’s Determination of Breach and Notice of Contract Termination under Section 9.2, the Applicant shall have not greater than sixty (60) days in which either to tender payment or evidence of its efforts to cure, or to initiate mediation of the dispute by written notice to the District, in which case the District and the Applicant shall be required to make a good faith effort to resolve, without resort to litigation and within sixty (60) days after the Applicant initiates mediation, such dispute through mediation with a mutually agreeable mediator and at a mutually convenient time and place for the mediation. If the Parties are unable to agree on a mediator, a mediator shall be selected by the senior state district court judge then presiding in Chambers County, Texas. The Parties agree to sign a document that provides the mediator and the mediation will be governed by the provisions of Chapter 154 of the TEXAS CIVIL PRACTICE AND REMEDIES CODE and such other rules as the mediator shall prescribe. With respect to such mediation, (i) the District shall bear one-half of such mediator’s fees and expenses and the Applicant shall bear one-half of such mediator’s fees and expenses, and (ii) otherwise each Party shall bear all of its costs and expenses (including attorneys’ fees) incurred in connection with such mediation.

B. In the event that any mediation is not successful in resolving the dispute or that payment is not received within the time period described for mediation in Section 9.3.A, either the District or the Applicant may seek a judicial declaration of their respective rights and duties under this Agreement or otherwise, in a judicial proceeding in a state district court in Chambers County, assert any rights or defenses, or seek any remedy in law or in equity, against the other Party with respect to any claim relating to any breach, default, or nonperformance of any contract, agreement or undertaking made by a Party pursuant to this Agreement.

C. If payments become due under this Agreement and are not received before the expiration of the sixty (60) days provided for such payment in Section 9.3.A, and if the Applicant has not contested such payment calculations under the procedures set forth herein, including judicial proceedings, the District shall have the remedies for the collection of the amounts determined under Section 9.4 as are set forth in Chapter 33, Subchapters B and C, of the TEXAS TAX CODE for the collection of delinquent taxes. In the event that the District successfully prosecutes legal proceedings under this section, the Applicant shall also be responsible for the payment of attorney’s fees to the attorneys representing the District pursuant to Section 6.30 of the TEXAS TAX CODE, and a tax lien shall attach to the Applicant’s Qualified Property and the Applicant’s Qualified Investment pursuant to Section 33.07 of the TEXAS TAX CODE to secure payment of such fees.

### **Section 9.4. Consequences of Early Termination or Other Breach by Applicant.**

A. In the event that the Applicant terminates this Agreement without the consent of the District, except as provided in Section 7.2 of this Agreement, the Applicant shall pay to the District liquidated damages for such failure within thirty (30) days after receipt of the notice of breach.

B. In the event that the District determines that the Applicant has failed to comply in any material respect with the terms of this Agreement or to meet any material obligation under this Agreement, the Applicant shall pay to the District liquidated damages, as calculated by Section 9.4.C, prior to, and the District may terminate the Agreement effective on the later of: (i) the expiration of the sixty (60) days provided for in Section 9.3.A, and (ii) thirty (30) days after any mediation and judicial proceedings initiated pursuant to Sections 9.3.A and 9.3.B are resolved in favor of the District.

C. The sum of liquidated damages due and payable shall be the sum total of the District ad valorem taxes for all of the Tax Years for which a tax limitation was granted pursuant to this Agreement prior to the year in which the default occurs that otherwise would have been due and payable by the Applicant to the District without the benefit of this Agreement, including penalty and interest, as calculated in accordance with Section 9.4.E. For purposes of this liquidated damages calculation, the Applicant shall be entitled to a credit for all payments made to the District pursuant to Articles IV, V, and VI. Upon payment of such liquidated damages, the Applicant's obligations under this Agreement shall be deemed fully satisfied, and such payment shall constitute the District's sole remedy.

D. In the event that the District determines that the Applicant has committed a Material Breach identified in Section 9.1, after the notice and mediation periods provided by Sections 9.2 and 9.3, then the District may, in addition to the payment of liquidated damages required pursuant to Section 9.4.C, terminate this Agreement.

E. In determining the amount of penalty or interest, or both, due in the event of a breach of this Agreement, the District shall first determine the base amount of recaptured taxes less all credits under Section 9.4.C owed for each Tax Year during the Tax Limitation Period. The District shall calculate penalty or interest for each Tax Year during the Tax Limitation Period in accordance with the methodology set forth in Chapter 33 of the TEXAS TAX CODE, as if the base amount calculated for such Tax Year less all credits under Section 9.4.C had become due and payable on February 1 of the calendar year following such Tax Year. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Section 33.01(a) of the TEXAS TAX CODE, or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Section 33.01(c) of the TEXAS TAX CODE, or its successor statute.

**Section 9.5. LIMITATION OF OTHER DAMAGES.** Notwithstanding anything contained in this Agreement to the contrary, in the event of default or breach of this Agreement by the Applicant, the District's damages for such a default shall under no circumstances exceed the amounts calculated under Section 9.4. In addition, the District's sole right of equitable relief under this Agreement shall be its right to terminate this Agreement. The Parties further agree that the limitation of damages and remedies set forth in this Section 9.5 shall be the sole and exclusive remedies available to the District, whether at law or under principles of equity.

**Section 9.6. STATUTORY PENALTY FOR INADEQUATE QUALIFIED INVESTMENT.**

Pursuant to Section 313.0275 of the TEXAS TAX CODE, in the event that the Applicant fails to make \$80,000,000 of Qualified Investment, in whole or in part, during the Qualifying Time Period, the Applicant is liable to the State for a penalty. The amount of the penalty is the amount determined by: (i) multiplying the maintenance and operations tax rate of the school district for that tax year that the penalty is due by (ii) the amount obtained after subtracting (a) the Tax Limitation Amount identified in Section 2.4.B from (b) the Market Value of the property identified on the Appraisal District's records for the Tax Year the penalty is due. This penalty shall be paid on or before February 1 of the year following the expiration of the Qualifying Time Period and is subject to the delinquent penalty provisions of Section 33.01 of the TEXAS TAX CODE. The Comptroller may grant a waiver of this penalty in the event of Force Majeure which prevents compliance with this provision.

**Section 9.7. REMEDY FOR FAILURE TO CREATE AND MAINTAIN REQUIRED NEW QUALIFYING JOBS.**

Pursuant to Section 313.0276 of the TEXAS TAX CODE, for any full Tax Year that commences after the project has become operational, in the event that it has been determined that the Applicant has failed to meet the job creation or retention requirements defined in Sections 9.1.C, the Applicant shall not be deemed to be in Material Breach of this Agreement until such time as the Comptroller has made a determination to rescind this Agreement under Section 313.0276 of TEXAS TAX CODE, and that determination is final.

**Section 9.8. REMEDY FOR FAILURE TO CREATE AND MAINTAIN COMMITTED NEW QUALIFYING JOBS**

A. In the event that the Applicant fails to create and maintain the number of New Qualifying Jobs specified in Schedule C of the Application, an event constituting a Material Breach as defined in Section 9.1.D, the Applicant and the District may elect to remedy the Material Breach through a penalty payment.

B. Following the notice and mediation periods provided by Sections 9.2 and 9.3, the District may request the Applicant to make a payment to the State in an amount equal to: (i) multiplying the maintenance and operations tax rate of the school district for that Tax Year that the Material Breach occurs by (ii) the amount obtained after subtracting (a) the Tax Limitation Amount identified in Section 2.4.B from (b) the market value of the property identified on the Appraisal District's records for each tax year the Material Breach occurs.

C. In the event that there is no tax limitation in place for the tax year that the Material Breach occurs, the payment to the State shall be in an amount equal to: (i) multiplying the maintenance and operations tax rate of the School District for each tax year that the Material Breach occurs by (ii) the amount obtained after subtracting (a) the tax limitation amount identified in Section 2.4.B from (b) the Market Value of the property identified on the Appraisal District's records for the last Tax Year for which the Applicant received a tax limitation.

D. The penalty shall be paid no later than 30 days after the notice of breach and is subject to the delinquent penalty provisions of Section 33.01 of the TEXAS TAX CODE.

**ARTICLE X.**  
**MISCELLANEOUS PROVISIONS**

**Section 10.1. INFORMATION AND NOTICES.**

A. Unless otherwise expressly provided in this Agreement, all notices required or permitted hereunder shall be in writing and deemed sufficiently given for all purposes hereof if (i) delivered in person, by courier (*e.g.*, by Federal Express) or by registered or certified United States Mail to the Party to be notified, with receipt obtained, or (ii) sent by facsimile or email transmission, with notice of receipt obtained, in each case to the appropriate address or number as set forth below. Each notice shall be deemed effective on receipt by the addressee as aforesaid; provided that, notice received by facsimile or email transmission after 5:00 p.m. at the location of the addressee of such notice shall be deemed received on the first business day following the date of such electronic receipt.

B. Notices to the District shall be addressed to the District's Authorized Representative as follows:

Dr. Randal O'Brien (or his successor)  
Superintendent of Schools  
Goose Creek Consolidated Independent School District  
4544 Interstate 10 East  
P.O. Box 30  
Baytown, TX 77522  
Phone: (281) 707-3220  
Facsimile: (281) 420-4815  
Email: [tandal.obrien@gcisd.net](mailto:tandal.obrien@gcisd.net)

With a copy to:

Sara Hardner Leon  
Powell & Leon, LLP  
115 Wild Basin #106  
Austin, Texas 78746  
Phone: (512) 494-1177  
Facsimile: (512) 494-1188  
Email: [sleon@powell-leon.com](mailto:sleon@powell-leon.com)

C. Notices to the Applicant shall be addressed to its Authorized Representative as follows:

JSW Steel (USA) Inc.  
Attn: John Hritz, President  
5200 E. McKinney Road  
Baytown, Texas 77523  
(281) 383-5247 Telephone  
(281) 383-4901 Facsimile

or at such other address or to such other facsimile transmission number and to the attention of such other person as a Party may designate by written notice to the other.

**Section 10.2. AMENDMENTS TO APPLICATION AND AGREEMENT; WAIVERS.**

A. This Agreement may not be modified or amended except by an instrument or instruments in writing signed by all of the Parties and after completing the requirements of Section 10.2.B. Waiver of any term, condition, or provision of this Agreement by any Party shall only be effective if in writing and shall not be construed as a waiver of any subsequent breach of, or failure to comply with, the same term, condition, or provision, or a waiver of any other term, condition, or provision of this Agreement.

B. By official action of the District's Board of Trustees, the Application and this Agreement may only be amended according to the following:

- i. The Applicant shall submit to the District and the Comptroller:
  - a. a written request to amend the Application and this Agreement, which shall specify the changes the Applicant requests;
  - b. any changes to the information that was provided in the Application that was approved by the District and considered by the Comptroller;
  - c. and any additional information requested by the District or the Comptroller necessary to evaluate the amendment or modification;
- ii. The Comptroller shall review the request and any additional information for compliance with the Act and the Comptroller's Rules and provide a revised Comptroller certificate for a limitation within 90 days of receiving the revised Application and, if the request to amend the Application has not been approved by the Comptroller by the end of the 90-day period, the request is denied; and
- iii. If the Comptroller has not denied the request, the District's Board of Trustees shall approve or disapprove the request before the expiration of 150 days after the request is filed.

C. Any amendment of the Application and this Agreement adding additional or replacement Qualified Property pursuant to this Section 10.2 of this Agreement shall:

- i. require that all property added by amendment be eligible property as defined by Section 313.024 of the TEXAS TAX CODE;
- ii. clearly identify the property, investment, and employment information added by amendment from the property, investment, and employment information in the original Agreement; and

D. The Application and this Agreement may not be amended to extend the value limitation

time period beyond its ten-year statutory term.

E. The Comptroller determination made under Section 313.026(c)(2) of the TEXAS TAX CODE in the original certificate for a limitation satisfies the requirement of the Comptroller to make the same determination for any amendment of the Application and this Agreement, provided that the facts upon which the original determination was made have not changed.

### **Section 10.3. ASSIGNMENT.**

A. Any assignment of any rights, benefits, obligations, or interests of the Parties in this Agreement, other than a collateral assignment purely for the benefit of creditors of the project, is considered an amendment to the Agreement and such Party may only assign such rights, benefits, obligations, or interests of this Agreement after complying with the provisions of Section 10.2 regarding amendments to the Agreement. Other than a collateral assignment to a creditor, this Agreement may only be assigned to an entity that is eligible to apply for and execute an agreement for limitation on appraised value pursuant to the provisions of Chapter 313 of the TEXAS TAX CODE and the Comptroller's Rules.

B. In the event of a merger or consolidation of the District with another school district or other governmental authority, this Agreement shall be binding on the successor school district or other governmental authority.

C. In the event of an assignment to a creditor, the Applicant must notify the District and the Comptroller in writing no later than 30 days after the assignment. This Agreement shall be binding on the assignee.

**Section 10.4. MERGER.** This Agreement contains all of the terms and conditions of the understanding of the Parties relating to the subject matter hereof. All prior negotiations, discussions, correspondence, and preliminary understandings between the Parties and others relating hereto are superseded by this Agreement.

**Section 10.5. GOVERNING LAW.** This Agreement and the transactions contemplated hereby shall be governed by and interpreted in accordance with the laws of the State of Texas without giving effect to principles thereof relating to conflicts of law or rules that would direct the application of the laws of another jurisdiction. Venue in any legal proceeding shall be in a state district court in Chambers County.

**Section 10.6. AUTHORITY TO EXECUTE AGREEMENT.** Each of the Parties represents and warrants that its undersigned representative has been expressly authorized to execute this Agreement for and on behalf of such Party.

**Section 10.7. SEVERABILITY.** If any term, provision or condition of this Agreement, or any application thereof, is held invalid, illegal, or unenforceable in any respect under any Law (as hereinafter defined), this Agreement shall be reformed to the extent necessary to conform, in each case consistent with the intention of the Parties, to such Law, and to the extent such term, provision, or condition cannot be so reformed, then such term, provision, or condition (or such invalid, illegal or unenforceable

application thereof) shall be deemed deleted from (or prohibited under) this Agreement, as the case may be, and the validity, legality, and enforceability of the remaining terms, provisions, and conditions contained herein (and any other application such term, provision, or condition) shall not in any way be affected or impaired thereby. Upon such determination that any term or other provision is invalid, illegal, or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Agreement in an acceptable manner so as to effect the original intent of the Parties as closely as possible so that the transactions contemplated hereby are fulfilled to the extent possible. As used in this Section 10.7, the term “Law” shall mean any applicable statute, law (including common law), ordinance, regulation, rule, ruling, order, writ, injunction, decree, or other official act of or by any federal, state or local government, governmental department, commission, board, bureau, agency, regulatory authority, instrumentality, or judicial or administrative body having jurisdiction over the matter or matters in question.

**Section 10.8. PAYMENT OF EXPENSES.** Except as otherwise expressly provided in this Agreement, or as covered by the application fee, each of the Parties shall pay its own costs and expenses relating to this Agreement, including, but not limited to, its costs and expenses of the negotiations leading up to this Agreement, and of its performance and compliance with this Agreement.

**Section 10.9. INTERPRETATION.**

A. When a reference is made in this Agreement to a Section, Article, or Exhibit, such reference shall be to a Section or Article of, or Exhibit to, this Agreement unless otherwise indicated. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

B. The words “include,” “includes,” and “including” when used in this Agreement shall be deemed in such case to be followed by the phrase, “but not limited to”. Words used in this Agreement, regardless of the number or gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context shall require.

C. The provisions of the Act and the Comptroller’s Rules are incorporated by reference as if fully set forth in this Agreement. In the event of a conflict, the conflict will be resolved by reference to the following order of precedence:

- i. The Act;
- ii. The Comptroller’s Rules as they exist at the time the Agreement is executed, except as allowed in the definition of Qualified Property in Section 1.1; and
- iii. This Agreement and its Attachments including the Application as incorporated by reference.

**Section 10.10. EXECUTION OF COUNTERPARTS.** This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all of which, taken together, shall constitute but one and the same instrument, which may be sufficiently evidenced by one counterpart.

**Section 10.11. PUBLICATION OF DOCUMENTS.** The Parties acknowledge that the District is

required to publish the Application and its required schedules, or any amendment thereto; all economic analyses of the proposed project submitted to the District; and the approved and executed copy of this Agreement or any amendment thereto, as follows:

A. Within seven (7) days of receipt of such document, the District shall submit a copy to the Comptroller for publication on the Comptroller's Internet website;

B. The District shall provide on its website a link to the location of those documents posted on the Comptroller's website;

C. This Section does not require the publication of information that is confidential under Section 313.028 of the TEXAS TAX CODE.

**Section 10.12. CONTROL; OWNERSHIP; LEGAL PROCEEDINGS.** The Applicant shall immediately notify the District in writing of any actual or anticipated change in the control or ownership of the Applicant and of any legal or administrative investigations or proceedings initiated against the Applicant related to the project regardless of the jurisdiction from which such proceedings originate.

**Section 10.13. DUTY TO DISCLOSE.** If circumstances change or additional information is obtained regarding any of the representations and warranties made by the Applicant in the Application or this Agreement, or any other disclosure requirements, subsequent to the date of this Agreement, the Applicant's duty to disclose continues throughout the term of this Agreement.

**Section 10.14. CONFLICTS OF INTEREST.**

A. The District represents that, after diligent inquiry, each local public official or local government officer, as those terms are defined in Chapters 171 and 176 of the TEXAS LOCAL GOVERNMENT CODE, has disclosed any conflicts of interest in obtaining or performing this Agreement and related activities, appropriately recused from any decisions relating to this Agreement when a disclosure has been made, and the performance of this Agreement will not create any appearance of impropriety. The District represents that it, the District's local public officials or local government officer, as those terms are defined in Chapters 171 and 176 of the TEXAS LOCAL GOVERNMENT CODE, have not given, nor intend to give, at any time hereafter, any future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant, employee, or representative of the other Party or the State of Texas in connection with this Agreement.

B. The Applicant represents that, after diligent inquiry, each of its agents, as defined in Chapter 176 of the TEXAS LOCAL GOVERNMENT CODE, involved in the representation of the Applicant with the District has complied with the provisions of Chapter 176 of the TEXAS LOCAL GOVERNMENT CODE. The Applicant represents that it and its agents, as defined in Chapter 176 of the TEXAS LOCAL GOVERNMENT CODE, have not given, nor intend to give, at any time hereafter, any future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant, employee, or representative of the other Party or the State of Texas in connection with this Agreement.

C. The District and the Applicant each separately agree to notify the other Party and the Comptroller immediately upon learning of any conflicts of interest.

**Section 10.15. PROVISIONS SURVIVING EXPIRATION OR TERMINATION.**

Notwithstanding the expiration or termination (by agreement, breach, or operation of time) of this Agreement, the provisions of this Agreement regarding payments (including liquidated damages and tax payments), reports, records, and dispute resolution of the Agreement shall survive the termination or expiration dates of this Agreement until the following occurs:

- A. all payments, including liquidated damage and tax payments, have been made;
- B. all reports have been submitted;
- C. all records have been maintained in accordance with Section 8.6.A; and
- D. all disputes in controversy have been resolved.

**Section 10.16. FACSIMILE OR ELECTRONIC DELIVERY.**

A. This Agreement may be duly executed and delivered in person, by mail, or by facsimile or other electronic format (including portable document format (pdf) transmitted by e-mail). The executing Party must promptly deliver a complete, executed original or counterpart of this Agreement to the other executing Parties. This Agreement shall be binding on and enforceable against the executing Party whether or not it delivers such original or counterpart.

B. Delivery is deemed complete as follows:

- i. When delivered if delivered personally or sent by express courier service;
- ii. Three (3) business days after the date of mailing if sent by registered or certified U.S. mail, postage prepaid, with return receipt requested;
- iii. When transmitted if sent by facsimile, provided a confirmation of transmission is produced by the sending machine; or
- iv. When the recipient, by an e-mail sent to the e-mail address for the executing Parties acknowledges having received that e-mail (an automatic “read receipt” does not constitute acknowledgment of an e-mail for delivery purposes).

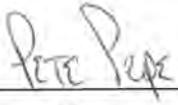
*[Signature Page to Follow]*

IN WITNESS WHEREOF, this Agreement has been executed by the Parties in multiple originals on this 18<sup>th</sup> day of December, 2017.

**JSW STEEL (USA) INC.**

**GOOSE CREEK CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**

**JSW STEEL (USA) INC.**

By: 

**PETE PAPE  
PRESIDENT, BOARD OF TRUSTEES**

By:   
Name: John Hritz  
President Chief Executive Officer

ATTEST:  
By: 

**JESSICA WOODS  
SECRETARY, BOARD OF TRUSTEES**

**EXHIBIT 1**  
**DESCRIPTION AND LOCATION OF ENTERPRISE OR REINVESTMENT ZONE**

The land upon which the new buildings or new improvements will be built will be part of the qualified property described by 313.021(2)(A).

The Reinvestment Zone will include the following Property IDs/parcels, owned by JSW, located in Chambers County, Texas. For more information, please refer to the CCAD account details and Tab 11 maps.

PROPERTY ID	GEOGRAPHIC ID NO.	LAND (ACRES)	2016 MARKET VALUE
30188	00015-00000-00300-360200	47.611	\$ 857,000
30189	00015-00000-00200-360200	12.342	\$ 222,160
34051 (Note 1)	00015-00000-00200-360300	198.125	\$ 3,566,250
34054	00015-00000-00300-360800	132.990	\$ 2,393,820
46339	00015-00000-00200-360800	46.253	\$ 832,550
<b>Totals</b>		<b>437.321</b>	<b>\$ 7,871,780</b>

Note 1: It is anticipated that the Project will only be located on this parcel.



**EXHIBIT 2  
DESCRIPTION AND LOCATION OF LAND**

The land upon which the new buildings or new improvements will be built will be part of the qualified property described by 313.021(2)(A).

The Reinvestment Zone will include the following Property IDs/parcels, owned by JSW, located in Chambers County, Texas. For more information, please refer to the CCAD account details and Tab 11 maps.

PROPERTY ID	GEOGRAPHIC ID NO.	LAND (ACRES)	2016 MARKET VALUE
30188	00015-00000-00300-360200	47.611	\$ 857,000
30189	00015-00000-00200-360200	12.342	\$ 222,160
34051 <sup>(Note 1)</sup>	00015-00000-00200-360300	198.125	\$ 3,566,250
34054	00015-00000-00300-360800	132.990	\$ 2,393,820
46339	00015-00000-00200-360800	46.253	\$ 832,550
<b>Totals</b>		<b>437.321</b>	<b>\$ 7,871,780</b>

Note 1: It is anticipated that the Project will only be located on this parcel.



### **EXHIBIT 3 APPLICANT'S QUALIFIED INVESTMENT**

The Applicant's current Baytown operations are comprised of a 1.8 million square foot facility located at 5200 E McKinney Road. Currently, the Applicant operates plate and pipe mill at this location which is designed to manufacture flat and long steel products. If approved, the proposed Baytown capital project involves the construction of a new melt and casting facility designed to produce metal slab. The construction of the facility and the associated equipment results in a capital investment of approximately \$250 million. As part of the project, the facility will house a new electric arc furnace (EAF), ladle furnace, vacuum tank degasser, and caster. These specific pieces of equipment will contain the latest technological advancements available in the industry.

The qualified investment will be located on land currently owned by the Applicant.

Below is a list of the major equipment to be purchased for and utilized in the proposed facilities:

- EAF;
- Ladle furnace;
- Vacuum tank degasser; and
- Caster;

Additional infrastructure to support this property will include:

- Site development;
- Additional power lines;
- Gas line enhancement; and
- Water reservoir work.

Construction is proposed to be initiated in July 2018, with the commencement of commercial operations in October 2020. The successful implementation of this project is pending the following: 1) all necessary regulatory approvals are obtained; 2) adequate customer commitments are secured; 3) supportive economic development incentives are provided; 4) sufficient project financing is arranged; and 5) corporate board approval from JSW Group is received.

**EXHIBIT 4**  
**APPLICANT'S QUALIFIED PROPERTY**

The Applicant's current Baytown operations are comprised of a 1.8 million square foot facility located at 5200 E McKinney Road. Currently, the Applicant operates plate and pipe mill at this location which is designed to manufacture flat and long steel products. If approved, the proposed Baytown capital project involves the construction of a new melt and casting facility designed to produce metal slab. The construction of the facility and the associated equipment results in a capital investment of approximately \$250 million. As part of the project, the facility will house a new electric arc furnace (EAF), ladle furnace, vacuum tank degasser, and caster. These specific pieces of equipment will contain the latest technological advancements available in the industry.

The qualified investment will be located on land currently owned by the Applicant.

Below is a list of the major equipment to be purchased for and utilized in the proposed facilities:

- EAF;
- Ladle furnace;
- Vacuum tank degasser; and
- Caster;

Additional infrastructure to support this property will include:

- Site development;
- Additional power lines;
- Gas line enhancement; and
- Water reservoir work.

Construction is proposed to be initiated in July 2018, with the commencement of commercial operations in October 2020. The successful implementation of this project is pending the following: 1) all necessary regulatory approvals are obtained; 2) adequate customer commitments are secured; 3) supportive economic development incentives are provided; 4) sufficient project financing is arranged; and 5) corporate board approval from JSW Group is received.